



Minor revolution

lapan's banks get a taste of freedom



The Bell Curve

Intelligence and class in US life ook review, Page 14



Direct approach

USAir lays out its safety record



Italian banking

Untangling the roots

# FINANCIAL TIMES

#### Italian coalition parties call for crisis meeting

Key partners in Italy's rightwing coalition government called for a crisis meeting after magistrates decided to investigate corruption allegations against prime minister Silvio Berlusconi. The move highlighted the division within the government which pitted the populist Northern League of Umberto Bossi against its partners. It raised fears of whether the government would survive to ensure the 1995 budget passed its last phase in the senate.

SB sells animal health arm: UK drugs company SmithKline Beecham agreed to sell its ani-mal health business to US rival Pfizer and indicated that a \$7.7bn series of corporate deals it began in May was at an end. Page 17: Lex. Page 16

EU economy to grow 2.6% this year: Economic growth in the European Union will rise to an average 2.6 per cent this year, accelerating to 2.9 per cent in 1995 and 3.2 per cent in 1996, the European Commission forecast. Page 3

French output slips: French industrial output in September fell 0.4 per cent below its level in July and August, Insee, the government statistics agency, reported. Page 3

US stores Kazakhastan uranium: The US completed the secret transfer of 600 kilograms of highly enriched uranium from a storage facility in Kazakhstan considered highly vulnerable to theft.

Britannia orders Boeings: Britannia Airways of the UK, the world's largest charter airline, announced orders and options worth \$800m for eight Boeing 767-300 aircraft. Page 4

Kohl seeks to create jobs: German chancellor Helmut Kohl called for an alliance of business, industry and trade unions to create jobs. Page 16

Russian trade turns west: Russia now trades more with developed countries, especially western Europe, than with other former Soviet states, figures released in Moscow show. Page 4

US cable group in \$1.4bn deal: Continental Cablevision, the third largest US cable television company, is to buy the cable operations of Providence Journal in a deal valued at \$1.4bn. Page 20

Metaligesellschaft seeks DM600m: German metals and engineering group Metallgesellschaft is preparing a capital restructuring package which includes a call on shareholders for a further DM600m (\$387m), Page 17

Commerzbank hit by bond markets: Commerzbank, the German bank, suffered a 27 per cent drop in group operating profits to DM660m (\$425m) for the first 10 months of the year because of weakness in world bond markets. Page 17

Tate & Lyle 23% ahead: A strong performance from its US arm helped UK sweeteners group Tate & Lyle raise annual pre-tax profits by 23 per cent to £273.8m (\$449m). Page 17; Lex, Page 16

Taiwan set to benefit from US recovery: Taiwan is poised to benefit from economic recovery in the US, its biggest export market, Taipei's central statistics office said. Page 8

Land-cleaning standards planned: The British government is about to announce proposals for dealing with contaminated land that are expected to minimise the cost to industry of cleaning up polluted sites. Page 10

ANZ beats expectations: Australia and New Zealand Banking Corporation surprised the market with annual profits after tax of A\$803.2m (\$613.1m) compared with A\$459.7m in the previous year.

Briton Colin McRae wins RAC rally



Scotsman Colin McRae (left), celebrates his Network Q RAC rally win. He and co-driver Derek Ringer finished the 29stage event in a Subaru more than three minutes ahead of Finn Juha Kankkunen. McRae, who led the four-day rally almost from the start, is the first British victor for 18 years. The world championship was won by Frenchman Didier

Auriol in a Toyota Award for FT journalist: Simon Kuper, an FT journalist and author of Football Against the Enemy, won the William Hill sports book of the

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# Clinton seals deal with Dole on Gatt trade pact

President Bill Clinton and Republican Senate leader Robert Dole yesterday announced a deal paving the way for congressional approval of the Uruguay Round trade pact. The result of over seven years' negotiations between more than 100 countries, th pact will usher in a new era in world trade.

Leading trading blocs and nations, including Japan and the European Union, have been waiting for the US to ratify the trade pact before they proceed with their own legislation to bring the accord into being.

Senator Dole, whose support is vital, promised to work for a "big big vote" in favour of the deal in the Senate. A vote is scheduled for a week on Friday. Sixty of the 100 senators must approve a cru-

Free traders jubilant ....Page 4

cial waiver of budget rules for the legislation to pass. Congress is scheduled to return

for a special post-election session to vote on the pact which would lower world trade barriers and liberalise global trading. Mr Clinton said the US had moved "one step closer to gaining broad, bipartisan support for the Gatt". This, he said, would "ensure that we lead the world for decades to

Mr Dole said he would be writing to his Republican colleagues in the Senate and suggesting that they support Gatt when it comes up next week. He denied having tried to "kill the pact" but said he had needed additional safeguards to assure his constituents that the new World Trade Organisation - to be set up by the Gatt pact to arbitrate international trade disputes -

As part of the compromise, the administration has agreed to establish a panel of five federal judges to monitor dispute settlement procedures in the WTO to ensure US interests are protected. President Clinton said this meant the WTO would be "accountable and fair and will meet our expectations".

Many trade experts fear the proposed US panel could undermine the dispute settlement provisions agreed under the Uruguay Round and that other countries will establish their own review panels.

Mr Dole's opposition to the trade accord had been unex-pected because of his history of supporting free trade.

He emerged without any firm administration support for lower capital gains taxes. However, the administration

gave Mr Dole several assurances on continued funding of farm programmes. Mr Dole's state, Kansas, is the largest producer of wheat. The new review panel will be appointed by the President, the

chairmen of the House Ways and Means Committee and the Senate Finance Committee It will review all final WTO dispute settlement reports adverse to the US to determine if the organisation exceeded its author-

ity or acted outside its scope. If the judges find the decision was unfair to the US, any member of Congress could introduce a resolution calling on the president to negotiate new dispute settlement rules.

If the judges find any three decisions unfair within a fiveyear period, it would trigger a vote of Congress on whether to stay in the global trade organisa-



# **US long bond**



# World markets fall in wake of Dow's decline

By Philip Coggan in London and Patrick Harverson in New York

Share prices fell worldwide yesterday as the aftershock of Tuesday's 91 point drop in the Dow Jones Industrial Average rippled through international stock markets.

Traders continued to worry about further US interest rate increases, which would slow the US economy and corporate earnings growth. Investors anneared to be selling shares and opting for the higher income available from bonds.

By early afternoon in New York, the price of the key 30 year US Treasury bond had climbed by almost three-quarters of a point, pushing the yield down to 7.95 per cent, its first dip below 8 per cent this month.

Meanwhile, after steep stock market falls in Europe and Asia, US shares declined again in early trading. By 1pm in New York, the Dow Jones Industrial Average was down 25.23 points at 3,652.76. with computerised selling programs again responsible for much of the losses. By that stage, the Dow had fallen 162 points, or Reuter | more than 4 per cent, in three

days, and was nearing its low for

The Federal Reserve's decision to increase interest rates by three-quarters of a percentage point last week - the sixth rise this year - appears to have been a watershed. So far this year, the Dow average of 30 leading stocks has performed much better than the broader US market. But investors have now decided to sell the interest rate-sensitive cyclical stocks which make up

much of the Dow. "Bonds and equities got a bit too far apart in the US and they're correcting back towards each other" said Mr Dick Barfield, chief investment manager at Standard Life, the UK life insurance company. Mr Peter Coolidge, senior equity trader at Kidder Peabody in New York, said: "I think people feel it's more attractive to put their money in the bond market right now. Tokyo was closed, but the

Continued on Page 16 Lex, Page 16; Wall Street shake-out, Page 17; Editorial Comment, Page 15; World stocks, Page 40; London stocks, Page 31; International bonds, Page 21

# UN warns of catastrophe as Serbs attack Bihac

By Laura Silber in Belgrade and Bruce Clark in London

The United Nations warned last night of a potential humanitarian catastrophe as Serb forces, defving a fresh wave of air strikes by Nato, fought their way into the north Bosnian town of Bihac, a UN-protected area.

Nato bombers struck Serb antiaircraft batteries in three places yesterday, implementing tough new rules of engagement that were secretly agreed with the UN

on Tuesday. Mr Yasushi Akashi, the senior UN official in former Yugoslavia, said he had worked out a peace plan for Bihac with Serbian presi-

By Tom Burns in Madrid

Theria, Spain's financially

crippled national carrier, faced a

serious industrial dispute yester-

day as its management

announced it would cut 5,200 jobs

from its 25,000 labour force and

drastically reduce the size of the

Unions, which had rejected an

earlier management plan to cut

salaries by an average 15 per

cent, said they would blockade

Spain's airports in protest at the

As the confrontation at Iberia

began to look ominously like the

violent industrial dispute at Air

France a year ago, the company's

employees last night began hold-

ing mass meetings at Madrid's

Barajas airport and at other

With tension running high, one

union official said: "We are not

preparing strikes, we are getting together to plan the close-down

Mr Javier Salas, chairman of

domestic airports.

of air traffic in Spain."

he would put to all the warring parties. He also said he had secured agreement for a convoy to supply the 1,000 Bangladeshi UN peacekeepers trapped in the Bihac enclave.

Earlier, Nato ambassadors, under strong pressure from France and the US. had held emergency talks in Brussels on how they could stop Bihac falling. They also considered a plan for implementing a total UN withdrawal from Bosnia, which has been in preparation for several months.

**Iberia to cut 5,200 jobs after** 

workers reject 15% pay cut

lberia and president of INI, the

state holding group that owns

the airline, said after a board

hive off some of its key units

under a series of emergency

measures that Iberia directors

The proposed measures mean that Iberia will in effect renounce

its ambitions to be a global car-

rier and become a regional air-

Iberia's subsidiaries to INI for

Plan B involves the sale of

Iberia would hive off its

shareholdings in a string of airlines including Aerrolineas Argentinas, Chile's Ladeco,

Venezuela's Viasa and the domes-

tic carriers Aviaco, Binter

The measures involve the seg-

regation of the company's han-

dling, maintenance, information systems and marketing units and

Iberia, after such a break-up,

Canarias and Binter Mediterra-

have called Plan B.

subsequent disposal.

their eventual sale.

meeting that the company would

The prospect of a "nightmare

dent Slobodan Milosevic which as thousands poured into Bihac town from outlying villages which have fallen to the Serbs. Mr Kris Janowski, a UNHCR spokesman, said food and water

could run out if the town, virtually cut off from emergency provisions for several months, becomes overcrowded Russia, breaking ranks with the US and western Europe, cau-

tioned against "excessive use of force" by Nato and announced a new diplomatic initiative over Bosnia by Mr Andrei Kozyrev. the foreign minister. Itar-Tass news agency said Mr

Kozyrev would travel to Belgrade scenario" was raised by the UN and other parts of former Yugohigh commissioner for refugees slavia after conferring with the

craft fleet and a staff of about

5,000, mostly pilots and cabin

Iberia in its present form would

only be possible if the earlier viability plan, which involved pay

was accepted by the unions.

linions have already staged two

24-hour stoppages this month

Iberia's flights in protest at the

would also have sought authoris-

ation for public subsidies total-

ling Pta130bn (\$1bn) from the

European Commission. This

request depended on union agree-

ment to the pay cuts.

Iberia is expected to lose

Pta44bn this year, up on earlier

estimates of Pta30bn, and its

accumulated losses by December will have effectively wiped out a

Pta120bn capital injection that

was authorised by Brussels in

Under the viability plan, Iberia

Mr Salas said the survival of

crew.

pay cuts.

German government in Bonn a missile attack on UK fighters and refugees are pouring into the Nato bombers struck Serb antiaircraft positions near the towns

of Otoka and Bosanska Krupa in Bosnia and at Dvor in Croatia, in two separate missions. They initially intended to aim

only at Otoka - in retaliation for

on Tuesday - but broadened their aim after Serb radar locked on to some Nato reconnaissance aircraft.

Bosnian government radio described the situation in Bihac as "real hell", saying that "the Serbs are shelling the town itself,

very centre of Bihac

UN officials - who in the past have accused the Bosnian government of exaggerating about Serb assaults - confirmed that fighting had spread to the town.

Editorial Comment, Page 15

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Money Markets . . .

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# Milosevic puts pressure on Krajina Serbs

By Laura Silber in Belgrade

President Slobodan Milosevic of Serbia yesterday put pressure on Serb leaders from Croatia to halt their offensive on a Moslem enclave in neighbouring Bosnia, and even blamed his former proteges for the Nato attack on a Serb-held

Mr Yasushi Akashi, senior UN official in former Yugo-slavia, last night met Mr Milosevic and Mr Milan Martic. leader of Krajina, the self-styled Serb state in Cron-

Senior UN civilian and military chiefs were trying to get Mr Milosevic to exert his influence on Mr Martic to stop aiding their kin across the frontier in Bosnia, who are attacking a UN safe area in the north-west, said diplomats.

However Mr Martic and the Krajina Serbs appear more ready to link their destiny with their Bosnian Serb counterparts, rather than adhere to orders from Belgrade or the international community.

International mediators. aided by Mr Milosevic, have tried to drive a wedge between Serbs from Krajina and Bosnia.

Politika, the Serbian daily newspaper which is a mouthpiece for Mr Milosevic, yesterday lashed out at Kraiina leaders for provoking the Nato attack on Udbina airfield. which was used to launch several air raids on the nearby Bihac enclave.

The leaderships of the Bosnian and Krajina Serbs must understand that they cannot, by provoking air strikes, change Belgrade's and Yugoslavia's peace policy," said Mr Hadzi-Dragan Antic, editor of

"Advocates of the war option are again trying to spread the flame of civil war on the territory of former Yugoslavia."



to a statement from the Yugoslay federal government which is also under Mr Milosevic's control. It denounced as "unprovoked" and "irresponsible" the Nato action, which

could lead to an escalation of

But yesterday's commentary

in Politika contrasted sharply

These mixed reactions indicate that Mr Milosevic must send different, and contradictory signals, to constituents in Serbia and abroad. This reflects that he has little room for manoeuvre - under pressure from within his ruling elite, on one hand, and on the other, faced with a deteriorating economy, he is anxious to

get UN sanctions lifted. Furious with Bosnian Serb refusal to obey Belgrade and endorse an international peace plan, which would ease UN sanctions, Mr Milosevic in August abandoned his Bosnian Serb proxies. He turned his back on the nationalists which swept him in to power in 1987.

Popular opinion in the distorted political landscape of Serbia appears outraged by the Nato attacks which could put even more pressure on the Ser-bian president. His state-run media, however, has tried to



ssenger Emira Tanovic after being hit in the chest by a sniper's bullet in Saraievo

# Nato action will prolong bloodshed, says Russia

The second Nato air strike in Bosnia "can lead to nothing but prolonged bloodshed," the Russian foreign ministry warned yesterday in an apparent attempt to distance itself from the more aggressive policy recently adopted by the international community in the former Yugoslavia.

We are seriously worried about the alarming new information from Bosnia," Mr Grigory Karasin, the foreign ministry spokesman, told Itar-Tass

On Tuesday, President Boris Yeltsin had expressed cautious approval of the first air strike against an airbase which had been used by rebel Serbs to bombard the besieged town of Bihac. But in subsequent comments, Russian representatives qualified their support with Mr Andrei Kozyrev, the foreign minister, warning that further air strikes might prompt Russia to withdraw its peacekeeping forces from Bosnia.

The Russian government is under increasing domestic pressure to act to limit foreign military intervention in the former Yugoslavia. The lower house of parliament yesterday passed a resolution urging Mr Yeltsin to use all possible means – including the exercise of Russia's veto in the UN security council - to halt mili-

tary action in the Balkans. The resolution said although parliament recognised that the

mandate it did not believe the air strikes were "essential or appropriate".

Mr Vladimir Zhirinovsky. the ultra-nationalist leader of the Liberal Democratic party of Russia, has been trying to whip up opposition to the Russian government's support for UN policy saying it is unac-ceptable to use force to settle a political dispute. "The conflict cannot be resolved by military means," he said.

Mr Kozyrev will tomorrow meet Mr Klaus Kinkel, the German foreign minister, in Bonn to express Russia's disquiet at the latest events in Bosnia and synchronise watches" for the foreign ministers' meeting on the former Yugoslavia.

# Sarajevo peace troops

Bosnian Serb leaders threatened to declare all-out war on the United Nations. blockading about 150 peacekeepers around Sarajevo. in retaliation for Nato air strikes on Serb targets.

Sarajevo radio said Serb forces were trying to take back their heavy weapons from three UN-supervised collection

Fearing retaliation from angry Serb forces, the UN yes-terday morning began withdrawing the bulk of its troops supervising nine weapons depots, created last February as part of an exclusion zone round Sarajevo.

One person was killed and three wounded when Serb opened fire on a tram driving through the centre of Sarajevo near the Holiday Inn where many foreign journalists stay, Bosnian radio reported.

The move comes after a warning from Mr Jovan Zametica, adviser to the Bosnian Serb leadership, just before the assembly of the self-styled state met to consider the decla-ration of a state-of-war throughout Serb-held territory

"If they [the air strikes] prove to be pure aggression of Nato at the request of the UN, then Republika Srpska will consider that the UN has sided with the enemy," he told the Bosmian Serb news agency.

"This would mean war with the UN," he warned. About half the 44,000-strong UN force in former Yugoslavia is vulner able to retaliation by Serb

forces in Bosnia or Croatia. Mr Radovan Karadzic, Bosnian Serb leader, made a similiar threat of "total war against the UN" on Tuesday night. The UN last night was on "code red", the highest state of alert, in Sarajevo. All aid movement into Sarajevo were cancelled because of security risks.

# Yeltsin's bank chief rejected

By John Lloyd in Mascow

The Russian parliament yesterday rebelled against President Boris Yeltsin's nomibank – defeating the candidacy of Mrs Tatyana Paramonova by 127 votes to 10. The surprise vote came "not because we did not like Tatyana Paramonova but because we did not like the way she was proposed and the way Victor Gerashchenko (the previous chairman) was relieved of his post," according to Mr Sergei Baburin, one of the leaders of the nationalist opposition in the state duma

Mr Gerashchenko, with other senior officials and ministers. was a victim of the sudden fall of the rouble on "Black Tues day" last month and the resulting wrath of the president.

The vote leaves Mrs Paramonova, a former deputy chair-woman, as acting head of the bank - a weak position at a time when the financial authorities in Russia are pushing for the acceptance of a tough budget aimed at bringing down inflation next year. President Yeltsin faces the choice of keeping her in an acting position, or proposing a compromise candidate.

# Investors look for Russian blockaded climate change

John Thornhill on prospects for cutting through the bureaucracy

pace Moscow's hotel corridors muttering obscenities about the local population and the need to return to "civilisation". The western businessmen, who have wearied of trying to conclude deals in Russia, are still common, if unhappy, sight.

Quite apart from the unquantifiable political and economic risks, Russia has retained its reputation as a byword for bureaucracy. The list of deterrents to foreign investors is endless: companies are allowed only one hard currency bank account; there are strict limitations on cash dealings; the legislative climate can change overnight with little possibility of international arbitration; taxes can be arbitrarily imposed and lifted; there are conflicting priorities between federal and local gov-

It is perhaps little wonder that an Ernst & Young study of the investment intentions of multinational companies found that only 6 per cent considered the former Soviet Union a priority compared with 57 per cent for China.

But meetings held in Moscow this week between a group of western business leaders and Russian ministers under the aegis of the Foreign Investment Advisory Council, have provided fresh reason for hope. Russia's new economics team, headed by Mr Anatoly Chubais, first deputy prime minister, and Mr Yevgeny Yasin, economics minister, impressed many with its candour and willingness to confront the main concerns.

Mr Chuhais promised that a presidential decree would be ssued "within a few days" halving the import duties on a range of goods for five years a minimum 10 per cent stake in investment projects worth more than \$100m. He also vowed to change quickly the banking rules preventing foreign companies opening more than one hard currency account and to ease the limits on cash dealines.

Mr Yasin, meanwhile, said his ministry would assume chief responsibility for responding to the concerns of foreign investors, with Mr Alexander Gorokholinsky, deputy head of the foreign investment department, being named as an "ombudsman" to help sort out bureaucratic prob-

Although not hugely significant in isolation, these moves were interpreted as a sign of intent. "We thought here were a team of people who wanted to find solutions and who wanted to encourage people to invest here," said one business-

Mr Michael Henning, chief executive of Ernst & Young sald it was "extraordinary that such senior ministers were prepared to lock themselves in a room for two days to discuss foreign investors' problems. Mr Neville Isdell, senior vice-president of Coca-Cola, said he had never "been to a more productive meeting". A similar, if less overtly excitable, reaction also fol-lowed last week's energy and

law conference, jointly spon-

sored by the US and Russian

energy departments. Mr Yury Shafranik, Russia's energy

hey are easy enough to minister, appeared to take an spot: hands thrust board many of the concerns firmly into pockets, they raised by western oil companies and accepted the need to introduce "strict rules of the game". Legislation on tax concessions and production sharing agreements was promised as early as next month.

But it is one thing to persuade senior ministers of the necessity for change, quite another to create a stable legis lative and fiscal environmen which can inspire sufficient confidence for companies to invest substantial long-term

Russia's reformers have yet to fight many political battles both within the government and with nationalists, who are mounting an increasingly vocal campaign against "selling out" to foreigners.

Mr Chubais, at least, appears

firmly convinced of the need to mobilise both domestic and foreign capital investment if the country is ever to stop using the printing press as a means of financing industry. His primary goal of achieving financial stability would be substantially eased if he could lift the impediments to foreign invest-ment and regulate the stock market to attract productive

long-term capital. If successful, the prize for both Russian and foreign investors could be enormous.

#### Experts suggest some \$60bn of foreign capital could be forthcoming -

have completed in-depth feasibility studies to develop new oilfields. Industry experts sug-gest some \$60bn of foreign capital could be forthcoming if Russia could establish a more predictable and stable invest-ment climate. That is about three times the size of all foreign direct investment in China last year

Western companies in other areas, such as heavy engineering and consumer products, also sense big possibilities in Russia. Investment banks in Moscow say there are many potential deals in the pipeline which could emerge in a more favourable environment.

Mr Percy Barnevik, chairman of ABB, the Swedish-Swiss heavy engineering company which has already set up 16 joint ventures in Russia, predicts the country could attract up to 10 per cent of the world's foreign direct investment within five years if it could successfully reduce its internal barriers to trade and promote itself more effectively abroad. Russia currently accounts for less than 1 per

cent of all such investment Having just raised expectations among western business leaders to such a pitch, Russia's government would cause fails to deliver. While in Moscow, the western executives stressed Russia risked being sidelined in a competitive world for capital if did not do more to attract investment. That would only make the government's future economic battles that much harder.

# Spring proposed as 'rotating' Irish PM

in Dublin

Ireland's search for a new government took an unexpected turn yesterday with Labour proposing Mr Dick Spring, the party leader, as a ister in a future coalition.

Last night a new government composed of Fianna Fail, the largest party, and Labour still seemed the most likely outcome, following the collapse of the outgoing government last week and the resignation of Mr Albert Reynolds as prime minister over the controversial paedophile priest extradition

However Labour's proposal, announced after a meeting of its parliamentary party on Tuesday night, is being seen as a clear overture to Fine Gael. the main opposition party – a conservative group which has been in coalition with Labour

With parliament adjourned until next Wednesday, Ireland is set for a period of intense political horse trading.

Fianna Fail's parliamentary party was meeting yesterday for the first time since the appointment of Mr Bertie Abern as new leader. However all the attention was on Fine Gael and Labour after the "rotation" proposal

Mr Spring is widely seen to have been the main beneficiary of last week's crisis with a personal rating in weekend polis at an all time high of 67 per

Labour yesterday insisted the issue would be part of any egotiations with either party - Flanna Fail or Fine Gael.

Labour and Fine Gael have been in coalition three times before, during 1973 and 1987: it was a Fine Gael-Labour government which negotiated both the Sunningdale agreement of 1972 and the 1985 Anglo-Irish

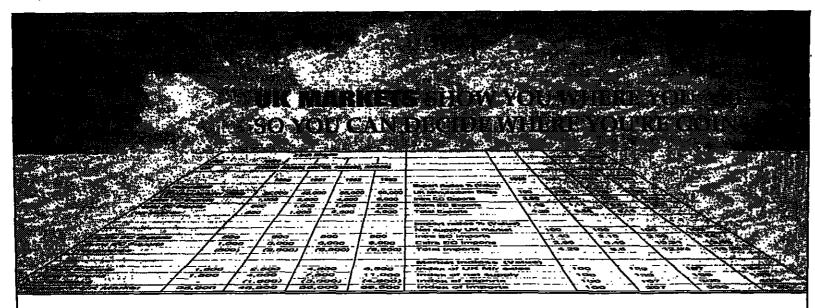
However relations became strained after the 1992 general election with Labour finally entering government with Fianna Fail. The idea of a "rotating" prime minister was proposed then by Labour after the party's good showing in the election - and dismissed out of hand by Fine Gael.

Today observers believe Fine Gael may prove more receptive. Its leader John Bruton has not performed well in the polis, although the party has 47 seats against Labour's 33. Fine Gael's deputy leader,

Maria Maria

and the state of t

Mrs Nora Owen, refused to be drawn on the issue saying that the party would "put our proposals on the table when we enter into negotiations." One Fine Gael MP said yesterday that "nothing is ruled in and nothing ruled out." A rainhow coalition between Fine Gael and Labour and one of the two smaller parties is the only way Fine Gael will be able to form a



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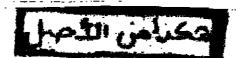
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#### **EUROPEAN NEWS DIGEST**

# EU economy to grow 2.6%

Economic growth in the European Union will rise to an average 2.6 per cent this year, accelerating to 2.9 per cent in 1995 and 3.2 per cent in 1996, according to forecasts published yesterday by the European Commission. But the number out of work is likely to remain above 17m this year, with the average rate of unemployment expected to fall by only 1 per cent to 9.8 per cent in 1996. "This is unacceptably high." said Mr Henning Christophersen, the outgoing economics commissioner. The Commission is pressing for fresh measures at next month's European summit in Essen to reduce "structural unemployment", including deeper cuts in non-wage costs, more vocational education, and a switch in unemployment allowances into wage subsidies.

The solid economic recovery in Europe follows a meagre 0.4 per cent growth in 1993. As a result, government delicits are expected to fall from 5.6 per cent of GDP this year, to 4.7 per cent next and 3.9 per cent in 1996. These levels are above the Maastricht treaty's targets for monetary union, but the forecasts assume no change in existing policies. Inflation is likely to pick up in 1996 but present levels are not dangerous, said Mr Christophersen. The worries are rising long-term interest rates and a weak dollar undercutting EU exports in world markets. Lionel Barber, Brussels

Optimism on Spanish economy

Spain has upgraded its growth forecast for this year to about 2 per cent from 1.3 per cent. Mr Pedro Solbes, economy and finance minister, said yesterday. The recovery follows a decline of 1 per cent last year, the worst recession for three decades. Mr Soibes told an FT conference the government had to aim for rapid enough growth to bring down its "excessively damaging" 24 per cent unemployment rate . The outlook was for growth of 3 per cent next year and 4 per cent from 1996. This could be made compatible with lower inflation and a "reasonable equilibrium" in public sector finances and the balance of payments. Consumer price inflation was expected to come down to around 4.1-4.2 per cent at the end of the year, the lowest annual rate for at least 25 years, Mr Solbes said. David White, Madrid

Action plan for mobile phones

An action plan urging rapid and widespread liberalisation of mobile telecommunications was yesterday sent by the European Commission to the European parliament and the council of ministers. After a five-month public consultation with telephone companies, industry organisations and individuals, the Commission has concluded that EU competition rules should apply fully to the mobile sector, that a code of conduct should be developed for service providers and that they should be granted full access to the market. The plan also highlights the need to promote the availability of frequencies and numbers and to promote special programmes that will support emerg-ing mobile technologies. Europe's mobile telecoms sector is already fairly deregulated with only a handful of member states continuing to maintain a monopolistic hold over operators. The commission has already taken action against individual member states requiring them, under competition rules, to license at least a second operator. Italy, Ireland and Belgium have not yet complied. The commission is to propose that all remaining exclusive and special rights in the mobile sector should be abolished soon. Emma Tucker, Brussels

#### Row over French media ban

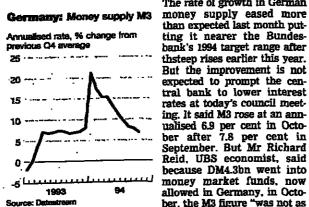
An amendment to French secrecy laws which would curb media coverage of corruption investigations came under fire yesterday from French magistrates and the press. The amendment, which was passed through the National Assembly late on Tuesday might, proposed a ban on reporting investigations until a suspect is brought to trial. It will become law if it is approved next month by the Senate, the upper house of the French parliament. Drafted by Mr Alain Marsaud, a Gaullist backbencher, the amendment prompted widespread criticism. Le Monde described it as an attack on liberty and said it whether the party funding and corruption scandals which have emerged over recent years would have been brought to light if the media had not reported the findings of dogged magistrates.

The USM magistrates' union said the amendment would stifle reporting of corruption scandals and that it was a way of "putting the lid" on affairs which have shaken the French business and political establishment.

Mr Marsaud said his amendment was designed to protect the presumption of innocence, which is "daily flouted". John Rid-

**ECONOMIC WATCH** 

#### German monetary growth slows



The rate of growth in German than expected last month putting it nearer the Bundesbank's 1994 target range after thsteep rises earlier this year. But the improvement is not expected to prompt the central bank to lower interest rates at today's council meeting. It said M3 rose at an annualised 6.9 per cent in October after 7.8 per cent in September. But Mr Richard Reid, UBS economist, said because DM4.3bn went into money market funds, now allowed in Germany, in Octo-

positive as it appeared". Andrew Fisher, Frankfurt Germany's budget deficit will be well below target for this year and 1995 because of strong economic growth, Mr Theo Waigel, finance minister said yesterday. Mr Waigel said the federal budget deficit for 1994 would be about DM10bn below the forecast DM69.1bn. The 1995 budget deficit will also be about DM10bn less than forecast. Judy Dempsey, Bonn

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#### **NEWS:** EUROPE

# Joker in the pack of Norway's fishermen

The country's seamen are not universally anti-EU, writes Hugh Carnegy in the Lofoten Islands

When Jens Petter Sollie, a whatever to the decision of his young campaigner for Norweson Baard, a crew member, to gian membership of the European Union, yesterday clambered aboard the MS Joker, a trawler tied up in the remote fishing port of Svolvaer, he discreetly slipped off his "Ja" lapel badge and braced himself for a salty blast of invective against Brussels.

Norway's fishermen have a formidable reputation as the most implacable opponents of the EU in a country famous for its deep Euro-scepticism especially in the Lofoten islands, a craggy, snow-blown archipelago of jagged mountains whose Arctic fjords are kept open in the long winter by the warming currents of the Gulf Stream.

But Mr Sollie, campaign organiser for Norway's Euro-pean Movement in the county of Nordland, was in for a pleasant surprise. Skipper Arvid Sandoe and his four man crew offered a friendly welcome. They dropped a few well chosen insults against Mr Jan Henry Olsen, the pro-EU fish-eries minister. ("He's only fishing for votes," said one). But two of the five men admitted they would be voting Yes in next Monday's referendum on EU membership.

Mr Sandoe said he had already cast a No vote through a postal ballot, but confessed he had been hesitant. "I still feel a little uncertain about it," he said, offering no objection vote Yes on the basis that for Norway as a whole, member-

ship was positive. The Joker, its home port further south in Trondelag, may have been no more than a seagoing statistical freak. But, taken with outspoken support for EU membership expres this week by a group of fish farmers and processors, it suggests that the ranks of Norway's lishing communities are not so rigidly anti-EU as has often been portrayed.

Certainly the vast majority of Norway's 25,000 fishing vessel owners and crew are expected by both No and Yes camps to vote against membership. The fear that Norway's jealous husbandry of its fish resources may be undone by joining the EU's common fisheries policy - and its stocks of herring and cod plundered by southern raiders from Spain and Portugai - runs deep. Their opposition is a key-

stone of the nationwide No campaign, especially in the north where opinion against the EU is running high. For although small in numbers, the fishermen have a political punch far weightier than their numerical strength - as have the country's highly-subsidised, anti-EU farmers. Without strong fishing and farming, the popular policy of sustain-ing stable population numbers in the remote regions could



The village of Sund in the Lofoten Islands

begin to unravel The trenchant opposition to the EU of Norges Fiskerlag (the national fishermen's organisation) is therefore of strong political significance. Mr Olsen's accession deal with Brussels on fish gave only marginal concessions in Norwegian waters to foreign fishermen. It confirmed Oslo's complete control over its fish resources until 1998 - allowing Norway to continue tough con-

servation rules which have

seen fish stocks and fishing quotas in Norwegian waters rise significantly. But Mr Steinar Jonassen.

who runs the Nordland branch of Norges Fiskerlag, says his members are worried about what will happen after 1998 and especially after 2002 when the EU fisheries policies are up for review and Spain and Portugal are due to be fully integrated. "Even though the minister says he has Brussels' commitment that the EU will

base policy on Norwegian practices we don't feel we have

good enough guarantees for that," he says. Lately, however, voice has been given to concerns in the fish farming and processing industry that a greater threat lies in staying outside the EU. A newly formed National Organisation of Fish Farmers and the Fishing Industry, representing 650 concerns employing 11,000 people, declared its support for membership this

week, saying it would be "decisive for growth in the Norwe-gian fishing industry and increased activity along the Norwegian coast.

It argued that the removal of EU duties and tariffs on Norwegian products would give a boost to the local processing industry, which has, for exam-ple, lagged far behind that in neighbouring Denmark. The new organisation said fish farmers, who account for less than one quarter of Norway's NKr20bn (£1.9bn) annual fish exports, could double their exports to NKr7bn over the coming years, but only if they had access to EU markets.

As Mrs Gro Harlem Brundtland, the Prime Minister, marshals her forces for a last push to overturn months of No supremacy, she is encouraged by such public statements to think that in the last few days, many Norwegians may finally conclude that the potential benefits of EU membership outweigh some of the more traditional fears about joining.

On Svolvaer's windswept quayside, Jens Petter Sollie was careful not to deceive himself that his visit on board the Joker meant he could win over the fishermen. But it did encourage him to think that a nationwide No on Monday was not a foregone conclusion. "If we can win a 35 per cent Yes in the north, then over the country as a whole, it will be a Yes," he said.

### French economy catches a chill

By David Buchan in Paris

French industrial output in September fell 0.4 per cent below its level in July and August level, Insee, the government statistics agency, reported yesterday.

The impression that after robust recovery in the first half of the year, the French economy has undergone a slight autumn chill is likely to be reinforced later today when Insee publishes its estimate of gross domestic product in the third quarter.

Mr Edmond Alphandery, the economy minister, warned this week that the economy never moved in a linear direction and that th mance could "not be expected to be as high as in the first half", when GDP rose 0.7 per cent in January-March and by 1 per cent in April-June.

However, he said the government was not lowering its forecast that the economy would grow by more than 2 per cent this year and by more than 3 per cent in 1995. Insee economists said that some autumn slowdown was inevitable given the fact that part of the first half's strong rebound was due to companies restocking their inventories, which had been more or less com-

The Balladur government yesterday approved a year-end correction to its 1994 budget, which lopped a fractional FFr162m (£19.3m) off the deficit but which in fact showed its higher priority of sustaining economic activity and consumption in the run-up to next spring's presidential election.

Bigger tax receipts from higher growth gave Mr Nicolas Sarkozy, the budget minister, FFr30bn more in revenue than he originally anticipated. But he chose to spend the windfall on iob. education and social security measures rather than cut the budget deficit further. But over the longer term Mr Sarkozy said yesterday that whatever government came in next year would have to continue deficit and debt reduc-

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# Court orders Tapie to pay \$64m to bank

By Andrew Jack in Paris

Mr Bernard Tapie, the controversial French politician and businessman, yesterday lost his fight to keep control of some of his most ostentatious assets in a long-running legal dispute with his principal

A Paris court ordered Mr Tapie and his wife to pay FFr339m (\$64m) to Credit Lyonnais, the heavily loss-making state-owned bank, because an

greement reached with them in March was no longer valid. The judgment, by Mrs Jacqueline Cochard, president of the Tribunal de Grande

Instance, could trigger a rapid sale of assets controlled by Mr Tapie and pledged as security against a five-year plan to repay loans believed to total about FFr1.2bn. The Hotel de Cavoye, his lux-

urious mansion in the fashionable seventh arrondissement in Paris, could be up for sale by

some valuations putting its worth at FFr100m-FFr160m.

His yacht, the Phocéa, which is moored in Marseilles, his company shares, and his collection of antiques and paint-ings could also be sold. Credit Lyonnais said it planned to proceed with attempts to realise the assets as quickly as pos-

However, Mr Taple has said he would appeal against the judgment if it went against

outstanding legal actions currently in train.

In the run-up to yesterday's verdict, Crédit Lyonnais had argued that Mr Tapie had failed to keep his side of the accord in March by not producing independent valuations of his assets to the deadlines previously agreed.

It is likely that his assets are less than half his debts to the bank. Crédit Lyonnais is still

the middle of December, with him, as one of a number of Tapie's assets, including antiques smuggled out of his Paris house over the summer.

Mr Tapie has instigated a series of legal battles which will come to court over the next few weeks, but which Crédit Lyonnais described as "a strategy to win more time".

In his next appearance tomorrow, the tribunal de commerce will determine whether searching for some of Mr his companies are bankrupt.

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# INVESTING IN SOUTH AFRICA

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Mike Levett, chairman of Old Mutual, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: What is the current outlook for the South African

Levett: The SA economy was in the doldrums for the first few years of this decade. Economic activity declined, invest-ment in productive capacity collapsed and unemployement surged. However, over the last year things started looking up and the economy supped up a gear. Initially a sharp improvement in agriculture provided the kickstart for the turnaround in economic fortunes. Then, towards the end of last year the political process gained considerable momentum, culmina-ing in the hugely successful election at the end of April this year. The smooth political transition provided extra impetus to the economic recovery, and presently most indicators suggest that the economy is running at a much faster pace and higher level of confidence. Backed up by an improving world economy, the economic upswing is firmly entrenched and is unfikely to be detailed in the near luture.

Spira: Can this growth be sustained over the long term?

Levett: Certain adverse developments, such as the critically low foreign exchange reserves and higher inflation, may slow the recovery somewhat, but we do not think the recovery is in danger of being derailed early. In fact, a temp-mary pause in growth may be rather welcome. It could provide an opportunity for the balance of payments and lorex reserves to improve sufficiently to sustain the upswing through next ar. We remain optimistic that South Africa is entering a long period of very low levels of debt, and interest payments on this debt only consumes about 7% of its toreign currency earnings. South Africa also has a sophisticated business environnion its corporate sector is characterised by large well organised companies, of which a number are world class in

Spira: With assets of more than R128 billion, Old Mutual is South Africa's largest life assurer. How is it placed to

Levett: Old Mutual was established in 1845. During the past 149 years, Old Mutual has grown to the largest life assurer in Africa, and a world player in terms of international investment expertise. We have over three million policyholders and cheras, indicative of our understanding of the unique needs of the life assurance, employee benefits and investment requirements in the African and international markets in which we operate.

Furthermore, Old Mutual's investment expertise is highly regarded locally and there is a rapidly growing awareness of our capability, particularly in the United Kingdom and Europe, in addition to this, Old Mutual's portfolio managers have considerable collective experience of the Southern African investment environment, and are supported by one of the largest research teams in the region. Our international network also gives us a sound understanding of the require-

mems of foreign investors. The establishment of the Old Mutual South Africa Trust (OMSA) was a significant step toward attracting foreign investment, OMSA is aimed at investment in quoted South African industrial and financial stocks, with an emphasis on medium sized enterprises. OMSA attracted over u50 million for investment in the South African asset markets. We see this as just the first of many opportunites for encouraging international investment in Southern African economies.

Spira: Old Mutual has a substantial international business operation. What is the size and scope of those opera-

Levett: On 1 December 1994, most of Old Mutual's internafional subsidiaries will formally adopt the name of Old Montal. In 1986, Old Muntal acquired the Providence Capitol Group in the UK. From modest beginnings, the Capitol Group in the DK. From mooest organings, the Group now manages R10 billion in assets on behalf of its chems. Providence Capitol Life Assurance (PCLA), Providence Capitol Portfolio Managers (PCPM), Providence Capitol Fund Managers (PCFM) and Providence Capitol International (PCI) are wholly owned subsidiaries of Old Managers (PCFM). Mutual. These subsidiaries provide life assurance, unit trusts and investment management services to a rapidly growing and diverse client base. PCLA and PCFM are both located in the United Kingdom and PCI is based in Guernsey. In 1993 Old Mutual also established itself in the Republic of Ireland through Old Mutual International (OMI) as a unit-linked life assurance company. This was the first time that the Old Mutual name had been marketed outside of Africa. OMI

Spira: What is the investment expertise of the Providence Capitol international fund management group and what is its record of investment performance?

is based in Dublin and provides a range of investment prod-ucts to meet the needs of investors around the world.

Levett: As an international fund management group Providence Capitol has an enviable track record, its group weighted performance has been ranked number one across one, two, three, four and five year periods, measured against the top 50 management groups. The European Portfolio manager has been named top fund manager of European portfo-lios three times by the Wall Street Journal Europe. Furthermore, the specialist skills of the investment team in emerging markers, including emerging bond markers such as the Far East and Latin America, are outstanding. However, it is not only in specialist areas where Providence Capitol has susperformed. The managed tunds run by the group have demonstrated excellent performance, both in good market conditions and in had. This has led to the group winning major industry awards both for the individual funds and for

Spira: What is the secret behind this success? Is there a

Levett: No magic formula unfortunately. However, Dr Kevin Carter, group tove-timent director, believes the selection of the right individuals to join the team is of critical importance An exhaustive recruitment process, which includes in-depth psychometric testing, ensures that the portfolio managers remain an elite team of empowered and successful investors, who stay with the company.

Spira: Obviously, this international exposure will be of critical importance to the continued success of Old Mutual. What presence does Old Mutual have throughout the world and are there plans to increase it?

Levett: We will continue with our strategy of steadily increasing our exposure, both within Africa and internationally. At the end of 1994, a branch operation will be established in Hong Kong to market unit linked products throughout the Far East. This will complement the activities of subsidiaries already established in Ireland, the UK and the

Spira: What can Old Mutual offer investors outside South Africa?

Levett: Old Mutual's international investment expertise is marketed to institutional and private elients alike. There is a growing awareness of our capability, and in particular, we pride ourselves on the outstanding achievements and investment experience we have gained in emerging markets such as the Far East and Lutin America. And our home ground, South Africa, is of course also regarded by many as an exciting emerging market.



Mike Levett

Generally our products have broad appeal across the entire investment and product range, from savings and investments n South African and world stockmarkets, to pension plans, life assurance contracts and unit trusts. The investments pro-vided by the offshore companies offer attractive tax benefits. However, with both UK based and offshore companies, Old Mutual is well placed to fulfil a wide spectrum of differing investor requirements - all backed by the same outstanding

Spira: Old Mutual has achieved remarkable international investment success. How does this international exposure benefit South African policyholders?

Levett: The experience we have gained from working in international markets has been invaluable in ensuring that we are equipped to deal with the dynamic nature of today's investment markets. We believe that we will be in the best possible position to compete and win against international

competition in the markets where we operate.

Within the region, our exposure to international markets means that we already have in place the expertise and experience to take advantage of the demise of exchange con when and if it is eventually scrapped.

when and it it is eventually scrapped.

South Africa is rapidly being integrated into the global economy. This change brings with it major challenges and opportunities, including the threat of international players entering the South African market. Our international expertise conpled with our knowledge of local conditions, will help us



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Contracts and ventures

Britannia Airways, the world's

largest charter airline, yester-

day announced orders and

options worth \$800m for eight

Boeing 767-300 aircraft. The air-

line, part of the UK's Thomson

Travel Group, has ordered four

aircraft, to be delivered in the

spring of 1996, and taken an

option on a further four -

scheduled to arrive at the rate

of one a year to the year 2000.

The acquisition of the 767-

300s continues a rolling pro-

gramme of fleet modernisation.

amounced last year. The new

aircraft will replace existing

757s and 767-200s, said Britan-

nia, and will be powered by

General Electric engines. The

present fleet comprises 19 Boe-

ing 757s and nine 767-200s with

an average age of three years.

will be used primarily on long-haul flights to Australia, New

Zealand, Africa, the US and

India, and will be configured

with 328 seats for long-baul

operations. Mr Roger Burnell,

Britannia's managing director

said aircraft such as the 767-300

would enable Brittania to con-

tinue to offer low cost air

■ The contract to built one of

the biggest infrastructure pro-

The first four new aircraft

Charter

airline

orders

China: power sales and generation

Acriculture 11.7%

Transport 1.2%

Residential 7.5%

Industrial 73.6%

# Free traders jubilant over Dole deal

By Nancy Dunne in Washington

The deal announced yesterday by President Bill Clinton and Republican leader Robert Dole strengthens the chances of passage for the Uruguay Round world trade pact when it comes to a Senate vote next week.

Although full details of the compromise have yet to emerge, supporters of the Gatt yesterday were jubilant; "I think we've just won," said Mr Harry Freeman, a free trade lobbyist who has been urging newspaper editors to endorse the Gatt deal. Mr Bill Lane of Caterpillar, the US construction machinery group, said: "It is a great deal for our customers and a sad day for our foreign competitors. This is the breakthrough we have been waiting for."

Supporters were particularly pleased with Senator Dole's vow to work for a "big big" bipartisan victory in the Senate. This may have recovered some ground lost by his earlier effort to link Gatt passage with the Republicans' long-sought cut on capital gains taxes.

All week lobbyists and moderate Republicans have been grumbling that "he stands for nothing" when Mr Dole seemed to risk abandoning his longheld free trade views to jeopardise passage of the world's largest trade pact for an unrelated issue. In the end he got a vague promise from Mr Lloyd Bentsen, treasury secretary, to work with the Congress on capital formation and "to give it a serious and careful '. "It was never by purpose to kill the Gatt\_" said Mr Dole. "I wanted to fix the Gatt. Maybe I haven't done a perfect job but I think. . we've moved

it a long way."

President Clinton said: "An



Dole: won a vague promise

understanding has been reached with Senator Dole to reaffirm our United States sovereignty and to make sure that reaffirmation will be protected in the Gatt process," he said. The World Trade Organisation's (WTO) arbitration of trade disputes caused Senator Dole and some other members of Congress to question whether US sovereignty would

be adequately protected. White House officials said Mr Clinton had agreed to Mr Dole's demand for a special US review panel to oversee decisions of the WTO. This panel could trigger a congressional vote on US withdrawal from Gatt.

However, Mr Ron Brown, the commerce secretary, described the sovereignty issue as a "red

He said: "There are those who want to do damage to the agreement who continue to raise that issue. It is a non-issue. There is nothing in the Gatt that restricts our ability to enforce our own trade

# China likely to approve power deals

Energy demand soars □ Investors expect 15-22% return □ \$1.2bn Guangdong plant

By Tony Walker in Beijing

High level meetings in Beijing over the next few weeks are expected to sanction the first of about 50 proposed power station projects worth billions of dollars relieving a logiam on approvals which has frustrated some of the world's largest power companies.

Power industry representatives will be looking particularly to an economic "work conference" and follow-up planning sessions for indications that argument over rates of return payable on equity investment in Chinese infrastructure has been resolved. The Ministry of Electric

Power Industry declined comment yesterday on reports that China had sanctioned a new formula that would satisfy investors. Equity participants in proposed power projects had baulked at a 12-15 per cent 'cap" on returns on invest-

But a western official in Beiing, whose responsibilities include the power sector, said China appeared at last to have recognised that if it wanted projects to go ahead it would have to yield to investor demand for more generous returns. He said that under a proposed new formula returns would range between 15-22 per cent depending on the efficiency of new plants. Chinese-equipped plants run

at about 60 per cent "availabil-

ity", while foreign-supplied equipment provided efficiency ratios that were close to 90 per cent. Higher returns would be guaranteed for more efficient

Among international power companies involved in negotiations with Chinese institutions are GEC of the UK, and Mission Energy, Wing Interna-tional. General Electric and Entergy Corporation of the US. Industry representatives regarded as a "promising development" the \$1.2bn pre-

this month for construction of twin 660MW coal-fired power plants and associated facilities in Guangdong province. The project brings together Entergy, Marubeni of Japan, Hong Kong investors and local

liminary agreement announced

power authorities in Guang-

Coal 71.6%

The representative in Hong Kong of a large European power utility described the uangdong deal as an indication of progress, but he also noted detailed discussions had not begun on implementation. Beijing was also yet to approve

An official of the Ministry of Electric Power confirmed yesterday that the ministry was working on its final proposals for the ninth five-year plan to carry China through to the year 2000. These will be presented to a national planning conference early next month.

Rapidly rising demand for energy, due to China's explosive economic growth, and an increasing shortfall in avail-

able power have put pressure on the government to accelerate approval of new plants.

According to a recent report by CS First Boston, China's reserve ratio" of available power became negative for the first time in 1991 and the situation had continued to worsen "The surplus of energy has

seen a precipitous drop through the 1980s and into the 1990s," the report stated. "In 1981, the surplus was 11.8m tonnes of SCE (standard coal equivalent) or a reserve ratio of 1.9 per cent. China has seen a rapid and sustained drop in its reserve ratio annually since 1981." The CS First Boston report estimated that new spending on the power sector would "have to exceed" \$14bn-

\$15bn a year for the rest of the

decade to keep pace with current demand. Mr Jiang Shaojun, director of

the General Office of the Ministry of Electric Power, estimates that China's "shortfall" of energy nationwide averages 20 per cent, with shortages most acute in the fast growing southern coastal regions. He said that China planned to add another 117,000MW of generating capacity by the year 2000 to reach a planning target of 300,000MW. He estimated the cost of adding 117,000MW at Yn570bn (\$67bn), somewhat less than western estimates.

Mr Jiang described China's ambitions of reaching its power planning targets as a "huge task". He also said it was essential that China cut down on waste" in the delivery and utilisation of power

In Hong Kong, Mr Paul Schulte, China analyst with CS First Boston, said Beijing faced a difficult challenge in convincing equity investors in the power sector that their investments would be secure and reap reasonable returns.

He described as "stumbling blocks" worries about the arbi-trary setting of electricity tar-iffs, stability of the currency, inflation, and guaranteed reasonable returns on investment. "If these issues are not resolved, many of these projects involving foreign investors will be dead in the water, he said. "They are not going to

travel, particularly on longhaul routes. The aircraft will be financed through a mixture of leasing have foreign investment." and acquisition, but Britannia said the "fine tuning" had yet to be worked out. Andrew Bax-

> jects in the Irish Republic, a 557m (\$43m) road tunnel under the River Lee at Cork, has been awarded to a joint venture between Tarmac, the UK construction group, and Irish contractors P.J. Walls of Dublin. Construction of the immersed tube tunnel, made of pre-cast concrete boxes, each weighing up to 30,000 tonnes, is due to start early next year and will take 3½ years to com-plete. Mr Brian Pellard, manag-ing director of Tarmac Construction, said the British group also was "making a strong bid" to build the tunnel section of the proposed bridge and tunnel link between Denmark and Sweden across the Oresund Strait. Andrew Toylor, Construction Correspondent

■ UK construction group John Laing in partnership with Hip Hing of Hong Kong has won a £23.4m contract to build the new British consulate in Hong Kong. The offices will be used by the British Trade Comand by British representatives on the Sino-British Joint Liaison group as for consular, immigration and passport services. The building will be situated on the former Colvin House site in Supreme Court Road. Construction is due to be completed by spring 1996.

■ Repap Enterprises, the North American forest products group, has signed a C\$100m (\$73m) three-year year pulp supply contract with China. Repap is also selling its lightweight coated papers through its new Beijing sales office and plans "an operating presence" in China. Bob

#### DOMESTIC APPLIANCE SALES AND OUTPUT SHOW RAPID GROWTH

Chinese household and electrical appliances are showing rapid growth in production, domestic sales and exports in 1994, AP-DJ reports from Beijing. The China Household **Electrical Appliances Association** reported that rising consumer confidence had boosted both output and sales of refrigerators, washing

machines and air-conditioners. Ms Jiang Feng, the association's vice-general secretary, told the China Daily newspaper that growing demand for smaller electrical appliances, such as irons, microwave ovens and electric cookers is stimulating producers to upgrade their products.

In foreign markets, nine-month exports of Chinese appliances were \$1.08bn compared with \$1.35bn for all of 1993, the newspaper said. Air-conditioners were the faste growing export item. In the first six months of 1994, China exported 156.000 units, an increase of 90,000 over the

China has more than 100 air-conditioner manufacturers including 20 large groups. In the past, imports have cut into domestic sales, resulting in large stocks of unsold units, the China Daily said. In 1993, China imported more than 100,000 foreign-made air-conditioners and competition from abroad had spurred Chinese manufacturers to improve the

quality of their air-conditioners.

according to the newspaper. The

appliance Association predicted that

Chinese brands would achieve dominance in the domestic air-conditioner market next year, just as Chinese freezers, refrigerators and washing machines have become dominant in their respective market

In the first nine months of 1994, China produced 8.2m washing machines, a 27.2 per cent increase from the same period in 1993. Washingmachine output for the full current

year is expected to reach 10m units.

# Russian trade turns westward

John Lloyd on a fall of commerce with other former Soviet states

with developed countries, especially with western Europe, than with other former Soviet states - a dramatic change in trading patterns over the past three

The first figures showing trade with developed countries and the other members of the Commonwealth of Independent States (CIS) were released yesterday at a conference of senior Russian and European Union officials and ambassa-

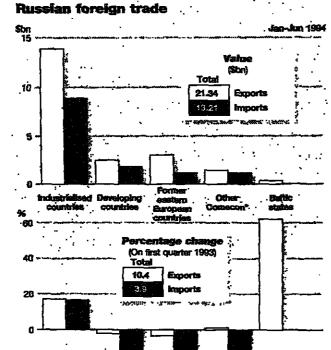
The data show that, in the first two quarters of this year. Russia's trade volume with the Union, stood at \$16.8bn (\$9.9bn exports and \$6.9bn imports) -37 per cent of its total trade.

This compares with \$10.8bn trade turnover with the other CIS member states (\$6.2bn exports and \$4.6hn (moorts) -24 per cent of its total trade. Trade with the former partners in Comecon, the trading bloc which used to unite the socialist countries, has fallen even faster: central and eastern European countries had a trade turnover of only \$5.7bm with Russia in the first half of this year (\$3.7bn Russian s and \$2bn imports).

By far the largest part of Russian exports to these and other countries is raw materials, especially energy. Russia has cut back on

energy supplies to the CIS states, preferring the greater ability to pay and the higher prices paid by states outside of the former Soviet Union ~ a policy which the government has said will continue this year and which is likely to cause problems to the weakerCIS

Germany is by far the most important trading partner for Russia within the EU - and in the world. Bonn's 1993 trade turnover with Russia stood at \$5.8bn, compared with China's \$4.02bn. Mr Reiner Hartmann. the Moscow representative of



customer for Russian natural gas - said that Germany takes 30 per cent of its gas and 12 per cent of its crude oil from Rus-

"Without any doubt Russia's market today and tomorrow is the European Union, Russia is the most significant trading partner on the continent." Russia is the fifth largest

trading partner for the EU after the US. Switzerland, Japan and China. A background paper produced for the conference says that there is "enormous potential" for a growth in trade.

"In the long run one might expect these trade flows to converge on something closer to the scale of the EU's trade with the US, currently seven times greater. While it will take many years for such economic structures to develop, the geo-

graphical proximity of Russia and the EU will facilitate a great trade expansion," the

> Russia has progressively liberalised trade policies over the past three years - though it re-imposed some tariffs earlier this year. The government, however, faces calls for more protectionist measures in the face of continuing decline in Russian industrial production. The structure of Russian imports has switched massively from capital goods and ent to consumer goods, equipr especially food.

\* China, North Kores, Lacs,

The Agreement on Partnership and Co-operation, signed by President Boris Yeltsin and EU leaders in Corfu in June, established a legal framework for trade in goods and services and for the operation of foreign designed to evolve until 1998. when a review of its operation will be held to determine whether or not a free trade regime can be established between the EU and

EU states also play a dominant role in the formation of joint ventures - with over 90 per cent of total ventures being between a company from one of the EU states and a Russian enterprise.

However, the expansion is not without attendant problems. Mr Sergei Krylov, Russian deputy foreign minister, said EU states still practised substantial discrimination against Russian goods. "We want no particular advantages," he said, "we want only agreed entrance to the European market."

Mr Oleg Bogomolov, a former official dealing with Comecon relations and now a lead-ing deputy, said that "the breaking of the links with our former partners has been painful for them and us - and our trade with western Europe should not be to the detriment of trade with the CIS".

Mr Georgy Gabunia, deputy trade minister, and Russia's chief negotiator of the agreement between the EU and Rus sia on partnership and co-operation signed in June, said that when Austria, Finland. Norway and Sweden join the EU "it will affect us adversely because we have freer trading arrangements with them than with the

And Mr Sergei Baburin. a leading nationalist deputy of the state duma (lower house) told the conference that "the influence of western Europe on Russia means an increase in pro-communist and nationalist sentiment here....the western European view of Russia as a source of crime, of drugs, of prostitution is a result of these policies which the western states have urged upon us".

# Japanese spinners want cheap imports squeezed Mr Ryutaro Hashimoto.

By Michiyo Nakamoto in Tokyo

Japan's textiles industry is to ask the government for protection under the Multi-Fibre Arrangement (MFA) to stem a surge of cheap imports from China and other Asian coun-

The Japan Spinners' Association said it was hoping to his an application requesting the Japanese government to restrict imports of low-priced cotton yarn. The Japan Chemical Fibres Association is also considering an application.

The moves follow an announcement by the Ministry of International Trade and Industry that it has established rules for imposing emergency restrictions on textile imports under the MFA. The rules, which would apply for three years, call for year-long inves-tigations and bilateral negotiations before the imposition of restrictions. They are designed to give the domestic industry time to allow it to carry out structural reforms, Miti said.

trade minister, yesterday stressed the international acceptance of the new rules: both the US and the European Union had introduced restrictions on textiles imports under the MFA.

Japan's textile industry has come under growing pressure the past two years with the yen's appreciation. Textile imports rose 13 per cent to Y1.511.5bn (\$15.34bn) in the first nine months of this year compared with the same period in 1993, according to the Japa-

nese government. The industry, which was profitable until 1986, suffered a \$10bn loss last year, expected to rise to \$14bn this year. according to the Japan Chemical Fibres Association.

In the first half of 1994, imports of cotton yarn and cotton fabrics reached a peak according to the Japan Spinners' Association. The number of companies in the cotton spinning industry fell by about to 145, the association noted. The trade ministry has, however, been cautious in its approach to restricting textile imports.

Japanese retailers have benefited from being able to import directly from low-cost textile manufacturers in China and also enjoyed lower prices offered by retailers as a result

of cheaper imports.

The ministry is aware of the technical difficulty in proving that imports have damaged domestic industry. There are also the political

considerations regarding a decision which could alienate consumers as well as the developing countries which may be hurt by restrictions, one industry official noted. The government would also

be reluctant to risk being exposed to criticism that it is going against the tide of free trade which it has so fervently advocated in its trade negotiations with the US

Gibbens, Montreal Gatt members near-unanimous in rejecting Boutros Ghali scheme

Andrew Taylor

# New trade group shuns UN links

The preparatory committee of the future World Trade Organisation has rejected any formal links with the United Nations, decisively rebuffing a camaign by Mr Boutros Boutros Ghali, the UN secretarygeneral, to bring the WTO within the UN system.

Mr K Kesavapany, Singapore's ambassador to the General Agreement on Tariffs and Trade and chairman for institutional matters, yesterday said that Gatt members had found no grounds for "any formal institutional arrangement between the WTO and the UN. Mr Boutros Chali has been

lobbying hard in New York for the WTO to become a specialised UN agency or, failing that, to have the same kind of looser UN attachment enjoyed by the World Bank and the International Monetary Fund. However, the idea has met with virtually unanimous opposition among Gatt members in Geneva, including the Quad group of leading traders, the US, the European Union, Japan and Canada. Developing countries are equally unenthusiastic, with the exception of Egypt, Mr Boutros Chali's

The WTO, due to take over from Gatt on January. 1, will have to co-operate on various aspects of trade policy with a number of international organisations, including the World Bank, the IMF and the World Intellectual Property Organisation, a UN specialised agency. However, Mr Kesavapany said that, with one exception. pragmatic ties between the WTO and the various intergovernmental bodies could be established by the WTO's governing council. The exception relates to co-ordination with the IMF over balance of pay-

Officially, Gatt members take the view that as contractual agreements, Gatt and the WTO are legally incompatible with the UN structure because

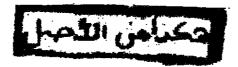
not imposed by a higher authority. Unofficially, trade diplomats are anxious to keep the WTO well away from the political and bureaucratic clutches of the UN. Gatt, with a relatively small staff of about 450, is generally considered to be among the most efficient of the international organisations in Geneva, partly because it has managed to avoid the destructive politicisation experienced by much of the UN system. Gatt's relations with the UN are governed by an agreement of August 1952 covering ad hoc co-operation - an approach likely to be continued by the WTO.

their rules must be negotiated

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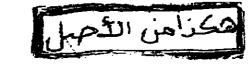


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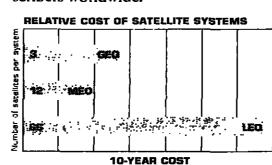
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FINANCIAL TIMES Newsletters

#### **NEWS:** AMERICAS

# Proposition 187 violates human rights, says Mexican politician

# Zedillo assails US measure

By Jurek Martin in Washington

Mr Ernesto Zedillo, Mexico's president-elect, was ready to tell President Bill Clinton yesterday that he viewed antiimmigrant initiatives like that approved in California this month as "a violation of basic human rights".

In a breakfast session with reporters prior to a White House lunch, Mr Zedillo said he would insist that cross-border issues like illegal immigration be dealt with bilaterally and not left to unilateral state

He pointed out that Mexican laws already guaranteed the access to education and healthcare for all, regardless of

Proposition 187 would deny to undocumented aliens. He hoped the US would engage in an "extensive" public debate which would end up by reflecting the "traditional American values" which had

always welcomed immigrants. Unlike the outgoing Mexican government, Mr Zedillo made no explicit link between illegal immigration and a deepening of the North American Free Trade Agreement, approved 12 months ago.

He argued that Nafta should contribute to the sort of economic development which would lessen the pressures on Mexicans to seek employment in the US. The pact has already

nationality, that California's resulted in a 20 per cent growth in bilateral trade, turning Mexico into the fastest growing market for US exports. He also foresaw a wider hemispheric free trade area in the foreseeable future, starting with Chile.

> Mr Zedillo said he recognised with gratitude the position that Mr Clinton and his administration had taken against Proposition 187, the implementation of which, due next year, is already under challenge in state and federal courts.

> However, anti-immigrant sentiment has been fuelled by the California referendum and now threatens the social benefits of those foreigners legally resident in the US.

One version of the draft welfare reform bill being considered by the new Republican majority in the House contains such a threat, with a few exemptions for the elderly.

This bill would also require that welfare agencies report to the federal government any case in which a recipient is suspected of being an illegal immigrant, as Proposition 187 does for doctors and teachers.

This week two former Republican cabinet members, Mr Jack Kemp and Mr William Bennett, again voiced their misgivings about immigration controls. Mr Kemp, former housing secretary and a poten-tial presidential candidate, warned that the Republicans

"inwards to a protectionist and isolationist and more senophobic party", contrary to its fra-

But their arguments have already been directly criticised in the National Review, the magazine for conservative thinkers.

One article in its latest edition, headlined "America's identity crisis," claims that all immigration, legal and illegal, "strengthens and reinforces ethnic subcultures", produces minimal economic benefit and is directly responsible for what the author condemns as the flowering of multiculturalism and the growth of the welfare

# Metropolitan Phoenix rises as construction industry hots up

Building employment is booming, writes George Graham from Arizona, but competitive market is helping restrain pay inflation

metropolitan area, where building accounts for 30 per cent of all new job creation, you can see the signs of expansion all around you; in the redtiled homes sprouting among newly-planted palm trees and saguaro cacti in the north valley and the shiny office buildings and shopping centres downtown.

Other sectors are prospering, too. Intel is putting up a \$1.3bn microchip plant in the southern suburb of Chandler, and surging copper prices have brought good times again to Arizona's old-established mining industry.

Employment in the state is projected to climb by 5 per cent this year, with much of the growth in the Phoenix metropolitan area, and construction employment has been expanding at an annual pace above 15 per cent.
"The Greater Phoenix econ-

omy is booming, and signs point to continued prosperity over the next several years, proclaims the Greater Phoenix Economic Council, a public and private sector partnership which boosts development in the metropolitan area.

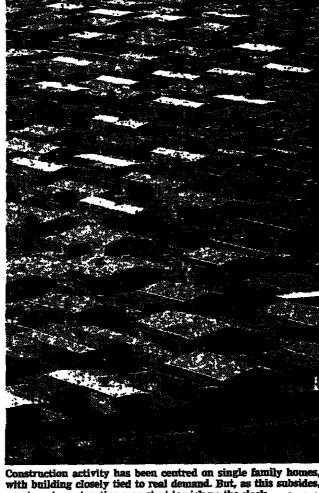
As the Federal Reserve seeks to cool down a national economy where employment is growing only half as quickly, sort of area where the inflationary pressures the Fed fears might be expected to be showing up already.

But local economists say that even the most rapidly growing sector of the local economy - construction - is not showing the kind of wage inflation that might be expec-

"There is definitely a lot of pressure on wages but I don't believe that it is being translated into higher wage levels. It's a sufficiently competitive housing market that you couldn't simply raise wages, or you'd be priced out of it," says Mr Dan Anderson of Arizona's Department of Economic Secu-

Home prices in Phoenix have risen by 3.3 per cent over the past year to an average of \$91,100, but remain well below those in nearby cities such as Albuqueroue or Las Vegas, and less than half the average of Los Angeles or San Francisco.

Bottlenecks are emerging. however, particularly for con-struction skills such as framing carpenters. "When you see hand-painted signs on building lots saying 'Framers wanted apply on site' you know there



apartment construction may start to pick up the slack. Good

#### Local economists say growth is built on much more solid foundations than was the mid-1980s construction boom

are skill shortages," says Mr Bill Stephenson, director of economic development with Arizona Public Service, the largest local utility.

Skilled framers are more likely to look for work in neighbouring Nevada - also experiencing strong construc-tion activity - or in southern California, where demand for construction labour has been heavy this year as the Los es area seeks to rebuild

after January's earthquake. "The wages California pays are clearly higher than wages offered here. We simply could

not compete with them," says Mr Anderson "Basically, the building com-

panies have hired all the really skilled people they can and they are now down to hiring people who are really learning on the job, and those people are not paid that much," says Mr Tracy Clark of the Economic Outlook Centre at Arizona State University in Tempe, a southeastern suburb of Phoenix.

Instead of raising wages or prices, builders are simply stretching out their construc-

"Where they might have been able to complete a house in 90 days we are now seeing 120 or 150 days," says Mr

labour market, however, Arizona still has a degree of slack. "We've got tool and die makers selling hardware at the department store, waiting for the right job to come along," says Mr Stephenson of Arizona Public Service.

In other segments of the

Local economists say growth this time around is built on much more solid foundations than the construction boom of the mid-1980s, which burst spectacularly when the tax breaks which had prompted it were repealed.

This year, construction activity has been centred on single family homes, with building closely tied to real demand. The boom in this sector is now demand from the recession has now largely been satisfied, and is expected to glide down to a pace tied to the state's popula-tion growth, forecast at around 2.6 per cent a year. Apartment construction may now start to pick up the slack, but the building industry is not expected to have all cylinders firing

Still, there is one sign of speculative overheating that the Fed might want to keep an eye on. The Arizona Cardinals American football team plays in a first rate stadium deemed good enough to host the Super-bowl national football championship game in 1996, but Mr Bill Bidwill, the team owner, is already talking about building

a new stadium. Cynical Phoenix sports fans suggest that Mr Bidwill might want to build a winning team before he starts thinking about a new stadium.

# **Orders for** durable goods fall in value

Sharply lower orders for new cars and aircraft pulled down the value of US durable goods orders in October, the Commerce Department said yesterday, Reuter reports from New

Orders fell 1.5 per cent to a seasonally adjusted \$152.8bn (£97.3bn) after a revised 0.3 per cent rise in September. Wall Street economists had forecast a 0.4 per cent gain in October

It was the first decline in durable goods orders in three months. The fall was caused entirely by a sharp decline in transport goods orders, which phinged 9.4 per cent to a seasonally adjusted \$35.2bn. Excluding transport, durable goods orders rose 1.1 per cent after a 0.4 per cent September

Analysts said the fall in could signal early signs of fatigue in the US manufacturing sector. "This is a warning sign for smokestack America, said Mr Stephen Roach, economist at Morgan Stanley. "It certainly does not suggest the economy is powering ahead on all cylinders."

Some areas of the report dis-played surprising weakness, said Mr Roach, particularly non-defence capital goods orders, which fell 2.9 per cent after a 3.6 per cent rise in September. "This suggests the capital goods rate of growth will vigorous gains we had earlier this year," he said.

However, others expressed caution in interpreting the figures. "I'm surprised by the marked weakness in transportation orders, but I hesitate to read too much into it," said Ms Carol Stone, economist at Nomura Securities International. She pointed to other sectors, such as industrial machinery, which continued to advance at a brisk pace.

Officials said the value of durable goods orders excluding transport was a record \$117.6bm

Defence orders fell in October by 16.9 per cent after rising 11.6 per cent in September, Electronic and electrical goods orders rose 0.5 per cent after a 4.3 per cent September gain. Shipments of durable goods were down 1.2 per cent in October after a drop of 0.8 per cent the month before.

# Brazil refineries hit by oil workers' stoppage

By Angus Foster in São Paulo

Brazil's oil workers went on strike yesterday over a long-running wage claim which the accident-prone government of outgoing President Itamar Franco seems increasingly incapable of solving.

Most of the country's 10 main refineries, including the three biggest, were reported to be affected by the stoppage which union officials said would be stepped up over the coming days. With diesel and some household fuel stocks low because of recent heavy demand, Brazil could face shortages of these products if the strikes last more than a

few weeks. The oil workers first went on strike for a week at the end of September over a 108 per cent pay claim and other demands. Mr Franco intervened and

claims without consulting their employer, the stateowned oil monopoly Petrobrás. The president's accord would have cost Petrobrás more than \$400m, which the company says it cannot afford, and could have prompted high wage claims throughout the public sector and undermined Brazil's new currency, the Real. When the high cost of his accord was

cancelled it. However, initial approval by the president and the energy ministry has considerably strengthened the resolve of the workforce. They say they will not accept anything but reinstatement of the original accord and have rejected a labour tribunal ruling that they should only receive a 13

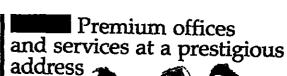
explained to the president, he

per cent rise. Brazil's inflation rate, as

main IPC-r index, jumped to 3.27 per cent in the month to mid-November, against only 1.86 per cent in the previous four-week period.

The increase, which is higher than expected, will add to the government's problems. According to law, salaries have to be increased in line with the index, which has now risen nearly 20 per cent since the Real currency was launched in

• Brazil's president-elect, Mr Fernando Henrique Cardoso. has accepted an invitation from President Bill Clinton to attend the Miami summit of American states next month. Mr Cardoso will travel with outgoing President Itamar Franco and is expected to meet Mr Clinton privately during





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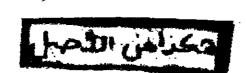
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Tourists urged

to quit Gambia

The British Foreign Office yesterday called in tour operators yesterday and advised them to bring more than 2,000 holiday-

makers home from Gambia because of a deterioration in the

political situation. However, Gambia Experience, one of the largest operators to the country, said it would allow its cus-

tomers to decide whether or not they wanted to continue their

The Foreign Office said it had been monitoring the situation

INTERNATIONAL NEWS DIGEST

holidays.

# Saudis flock to private sector

Growing number leaving traditional careers, reports Mark Nicholson

Such market pressure is forc-

ing young Saudis to consider

working in the private sector,

although such movement is a

growing trend rather than a

But there have been recent

signals from the government

that it might be preparing to

The government has for

give this trend a bigger push.

this for fear of impeding the

tidal wave at present.

the private sector.

r Yousef Salman, Saudi plant manager at the Zoujaj bottling factory outside Riyadh, cuts a distinctive profile behind his

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He sports a polo shirt and khaki jeans, rather than the otherwise universal Saudi uniform of white those (robe) and ghuttra (headdress). "Because of my dress people don't think I'm a Saudi," he says. "People address me in Urdu or Hindi."

Urdu or Hindi, because the more usual denizens of the factories of Saudi Arabia's fastgrowing light industrial sector are Indians, Pakistanis, or per-haps Bangladeshis and Filipinos. Until lately, Saudi citizens have been a rare sight on the shop floor.

Cheap, contracted labour from the sub-continent and East Asia still overwhelmingly predominates in the dozens of furniture, cable, glass, electri-cal and other factories in

Riyadh's industrial zones. But Mr Salman is among a growing number of Saudis departing from the traditional career path of most of their countrymen - a secure job with the government - for the higher-pressure work of the private sector.

Zoujaj, which produces 700,000 bottles a day for clients including Coca Cola and Pepsi, counts 37 Saudis on its 244strong payroll.

Across the road at the Saudi Lighting Company, a fast-growing light fittings group, 50 Saudis are on the 600-strong staff and, says Mr Mohammed Mustafa, finance director: "They're picking up. We are now getting Saudis knocking at our door for jobs: once you had to go and look for them."

Bankers and hoteliers say there has been a clear rise over the past three years in the number of Saudis willing to accept private-sector jobs at rates of pay they would previously have spurned.

"We have little trouble these days finding Saudis for some jobs at about Saudi Riyals 3,500 (\$921) a month," one Riyadh

Accurate labour statistics are not published in Saudi Arabia. But it is a fair estimate that more than 90 per cent of

Saudi Arabia, short of the necessary manpower for its ambitious defence programme, is considering the introduction of compulsory military service, diplomats in the kingdom said

yesterday, Reuter reports from Dubai. They said the proposal has come in a draft of the country's new five-year development plan due to come into effect in January and which has yet to be approved by King Fahd.

Compulsory military service is among necessary conditions to "develop Saudi society, enhance the country's defence capabilities and deepen citizens' loyalty and sense of belonging," they quoted the draft as saying.

Saudi Arabia, with a population of 17m, of whom 4m are foreigners, has embarked on a \$10bn programme to beef up its

defences by the end of the century.

Deep doubts about Iraq's intentions despite its defeat after the 1990 invasion of Kuwait and suspicions of the radical Islamic rulers of non-Arab Iran across the Gulf are among reasons given by diplomats for the Saudi arms buildup.

But military experts have in the past wondered if the country had manpower to handle the sophisticated arms it is importing.

The London-based International Institute for Strategic Studies ut Saudi Arabia's active armed forces at 158,000 men, both in

the regular army and the royal-led National Guard. A 1992 census put the number of Saudi males in the 13-17 age-group, likely candidates for compulsory military service over the next five years, at 556,500.

Saudis either work directly for workers onto the job market the government or for parastatal groups, a proportion replicated in most other Gulf states.

Hours tend to be undemanding, working conditions comfortable, salaries start at about SR5,000 a month for a graduate entrant: government jobs offer virtual tenure. However, with the govern-

ment in the clutches of a twoyear-old cash flow problem and ministries this year cutting budgets by 19 per cent, state bodies have imposed an informal hiring freeze.

Most bureaucracies were overstaffed in any case, according to local economists.

At the same time, the Saudi private sector has continued growing over the past two years, bolstered by an array of state incentives, including cheap permits on industrial zones and concessionary lending from organisations such as the Saudi Industrial Development Fund.

According to the commerce ministry, the number of licences for private concerns rose 28 per cent between 1991 and 1993, to a total of 423,800. More private companies are producing more job opportunities for young Saudis.

The population is growing at about 3.7 per cent a year, pouring 90,000-100,000 prospective



King Fahd, Saudi ruler: re-emphasised determination to see a rise in Saudi employment in the private sector

usually paid SR1,400 a month, plus a package of board and

vears tried to encourage Saudis lodging. to join the private sector: the However, King Fahd, the present five-year plan, penned Saudi ruler, has recently re-emin 1990, said it expected 96 per phasised the government's cent of new jobs in the kingdetermination to see a rise in dom to come from private Saudi employment in the prienterprise, and state plans vate sector.

A recent visit to Riyadh by a since 1970 have consistently advocated "Saudi-isation" of team from the UK Inland Revenue has prompted local bank-However, while Saudi labour ers and businessmen to wonder if the government is considerlaw formally decrees that 75 per cent of all companies' ing fiscal incentives to compaworkforces should be Saudi, nies which hire Saudi workers. Mr Hussein Sijini, deputy min-Such measures may be conister of planning, says the govtained in the forthcoming Janernment has never enforced uary 1 budget.

Hpwever, for some Saudis,

private-sector growth which it such incentives are unnecessary. "A lot of us just had sees as vital to the kingdom's policy of diversification away enough of the government sysfrom oil. tem," says Mr Omar al-Shuwaier, who left a government Saudi workers are expensive. Where a young Saudi technidepartment two years ago to cian might come at SR3,500 a form and manage Rowad National Plastic, Saudi month, Indians or Filipinos are

Arabia's first plastic sheeting

'We don't want to work for the government system with its routines, or for the old-style private companies where it's all on a personal basis; if the owners don't like you, they kick you out.'

Instead, Mr al-Shuwaier says, he and some Saudi colleagues prefer the more ordered and formal board of directors and western-style management structure.

industry," he adds.

"Our financial and administrative manager used to work with the government, but since he's been with us, he no longer has the time to drink tea and read the newspapers.

"The challenge he has is new, the experience - it's huge. We're not the highest paid here, but there's a system here – a more reliable system."

# Jakarta to try 30 East Timorese

Indonesia will prosecute 30 East Timorese for alleged involvement in riots and proswept the troubled territory last week, it said vesterday. Reuter reports from Dili.

President Suharto said all East Timorese were welcome to leave for the territory's former colonial ruler Portugal, including 29 youths staging a protest inside the US embassy

compound in Jakarta. The 29 East Timorese students who invaded the US embassy prepared to leave for Portugal yesterday, saying they feared for their safety if they remained in Indonesia.

Indonesia's hopes of presenting an open image during this month's meeting of regional leaders in Jakarta were dashed by the US embassy sit-in and Dili protests, captured on film by the world's media. "We have arrested 30 men and they will be brought to trial." Rast Timor Police chief Colonel Andreas Sugianto said.

The territory's outspoken Bishop Carlos Belo said police were terrifying many East Timorese since last week's protests by conducting house-to-house searches to find anyone suspected of involvement.

Col Sugianto said eight of the 30 men had been arrested in Bairo village.

Dili has been swept by riots in the past 10 days, some ignited by racial tensions and some by political opposition to Indonesian rule in the territory. Indonesia has accused foreign journalists of stoking the protests and has asked at least four to leave for lacking proper accreditation".

Bishop Belo attacked the government for its handling of the protests and said Indonesta, which invaded the former Portuguese colony in 1975, lacked a commitment to bring peace to the troubled territory. He deplored the protests which swept through Dili last week, but said the most recent

protest at his cathedral may

have been instigated by the

in Gambia since a coup, in which Lt Yahya Jammet seized power from Sir Dawda Jawara, and there had been a steady deterioration. It said the political situation was uncertain and could deteriorate quickly. The advisory notice follows an attempted counter coup against on November 11 which Lieutenant Jammet blamed on former finance minister Mr Bakary Dabo. Michael Skapinker, Leisure Industries Corresponder

#### Zimbabwe moves on rates

Zimbabwe's central bank, facing an outcry over punitive interest rates, has cut its lending rates to financial bodies, but economists yesterday said the action was too little, too late to polster growth. The central bank said late on Tuesday it was lowering its rediscount rate - the benchmark rate at which it lends to financial institutions - to 29.5 per cent from 30 per cent. Citing a fall in annual inflation, it also cut the overnight accommodation rate - the punitive rate charged to financial bodies for overdrawing - to 35 per cent from 38 per cent.

#### Oil groups sued in Australia

Shell Australia and BP Australia, both part of the larger international oil groups, are being sued by the Trade Practices Commission, Australia's competition watchdog, over alleged price collusion in the Sydney and Melbourne retail petrol markets. Shell issued a statement yesterday stating that it would "mount a vigorous defence" against allegations that it colluded with other oil companies to increase retail petroleum prices in Melbourne and Sydney between 1988 and 1991. BP Australia confirmed that it, too, was served with legal proceedings by the Commission yesterday. These, it said, alleged certain anti-competitive practices in the Sydney and Melbourne motor spirit markets between May 1991 and June 1992.

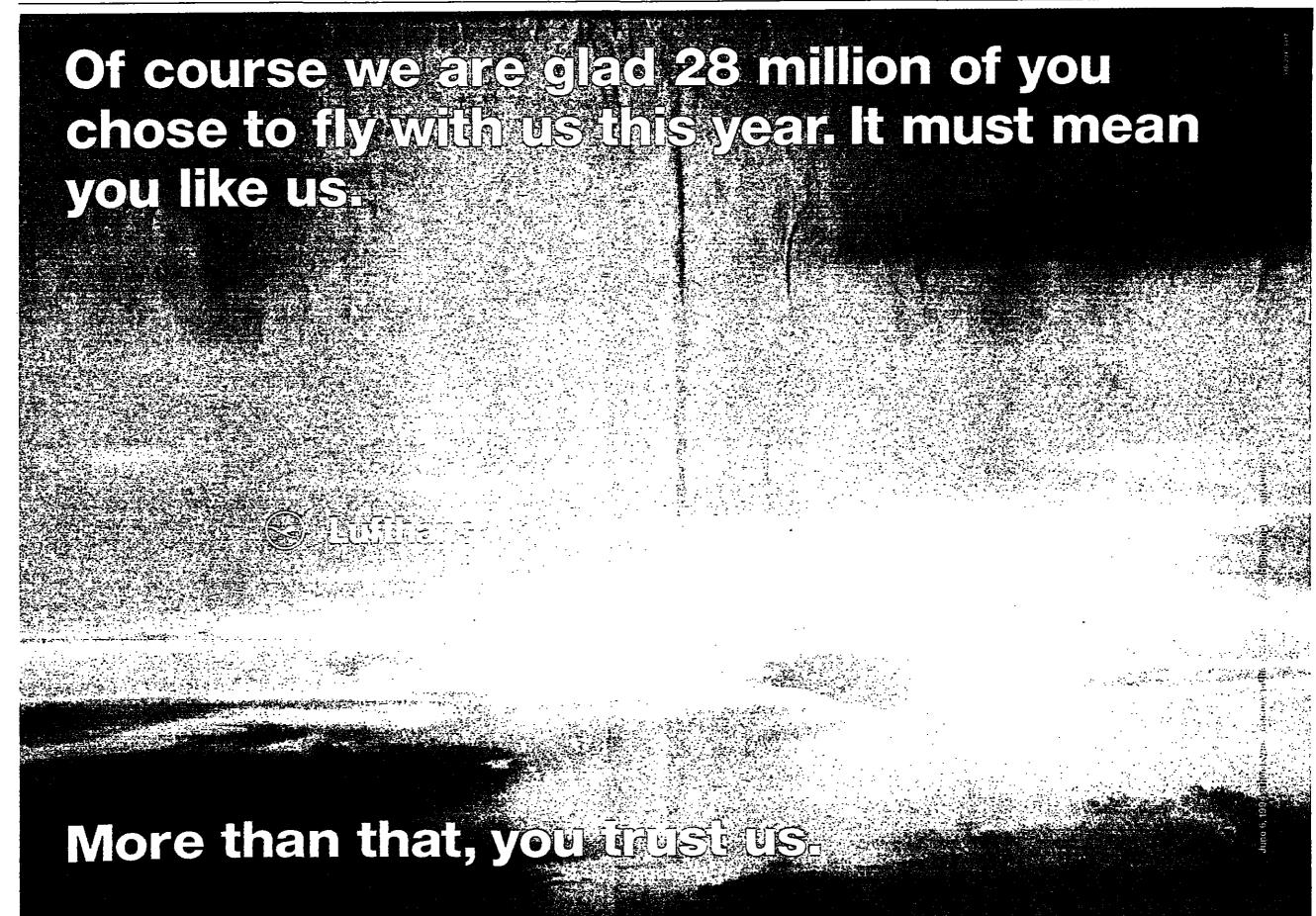
#### 110 killed in India stampede

At least 110 people were killed in a stampede that followed a police baton charge on tribal protesters in the western Indian city of Nagpur yesterday, domestic news agencies reported. They said the problem began when a crowd of protesters tried to break a police cordon set up to prevent them from marching on the Maharashtra state assembly.

The agencies quoted police as saying their men pushed back the protesters with long, iron-tipped bamboo canes and that began a panic-stricken stampede. They quoted Kripashankar Singh, a senior member of the Congress party which rules Maharashtra, as saying at least 110 people were killed. Reuter,

#### Correction: Nippon Glaxo

An article in the Financial Times yesterday on a Y1m bribe allegedly received by a Japanese doctor from Nippon Glaxo, the local arm of the UK drugs company, gave an incorrect sterling equivalent for the sum. It is in fact £6,500.



mountain kingdom's monarchy

By Laura Tyson in Taipei

Taiwan is poised to benefit from economic recovery in the US, its biggest export market. and continued growth in its fastest-growing market, China, analysts said yesterday.

The government's central statistics office said growth in the island's gross national product reached 6.08 per cent in the third quarter of this year, up from a revised 5.62 per cent in the second quarter and 5.8 per cent in the third quar-

The forecast for the fourth quarter was lifted to 6.9 per cent from the previous forecast of 6.44 per cent.

Main factors behind growth have been increased exports and improved private-sector investment

"The economic picture is more optimistic following an improvement in export performance," Mr Daniel Chen, chief economist at Chinatrust Commercial Bank, said.

"The main pumping factors behind growth in 1994 have been increased exports and improved private-sector investment. This trend will be sustained into next year."

The Directorate-General of Budget, Accounting and Statistics raised its forecast for 1994 GNP growth to 6.10 per cent from 6.01 per cent, and forecast 1995 GNP growth at 6.52 per cent. In 1993, the island's GNP rose 6.02 per cent, revised upward from an earlier figure

of 5.94 per cent. The statistics office said the leading indicator for economic growth would in future be gross domestic product instead of gross national product. It to \$10,852.

Economic growth rate (%)

predicted gross domestic product would grow 6.42 per cent in 1994 and 6.49 per cent in 1995.

Few parties with the name Marxist-Leninist have ever won a free election. But five years after the fall of the Berlin Wall, the Nepal Communist party (United Marxist Leninist) has accomplished this rare feat.

The communists are on the verge of forming a government after success in last week's general election. The red flag has been hoisted in a country with a constitutional monarch who held power until as late as 1990. Marx would have been impressed with how quickly Nepal has apparently moved from feudalism to socialism.

Yet all is not quite as it seems in the mountain kingdom. Despite their ideologically correct name and the portraits of Marx and Lenin which adorn the party offices, the Nepali communists bear little resemblance to Bolsheviks.

Almost the first thing Mr Man Mohan Adhikari, the party leader, did after his election victory was to call on King Birendra and pay his respects, telling him he had nothing to fear, the communist party would "firmly support monar-

chy in Nepal as a symbol of unity" and "pursue trouble adjusting to running the government free-market economic policies".

The communists are much more nationalist than the purer forms of socialist doctrine would permit. Mr Adhikari made much on the campaign trail of the conservative Nepali Congress party government's allegedly close ties with India. But he is hardly the first communist to stoke the fires of patriotism.

The party has to approach government with caution. With only 88 seats in the 205-member parliament, it plans to rule as a minority government. It will rely on tacit support from allies either in the Congress party or the right-wing royalist grouping, the Rastriya Prajantra party. The prospects seem uncertain.

erupted within the party between the three at its head: Mr G. Kolrala, 71, the former prime minister, Mr K. Bhattarai, party president, 70, and Mr Ganesh Man Singh, 80, party supremo. domination culminating in demonstrations that

After decades of campaigns against royalist

The election was called after arguments

ended royal rule in 1990, the three men had

By this summer, the country had had enough of the party's record of in-fighting and nepotism. So when Mr Koirala precipitated a general election, voters took the opportunity to vote his

party out of office. Mr Adhikari, who at 72 is of the same generation as his Congress counterparts, started his political career in the Indian independence movement before moving to Nepal, where he spent several years in jail for his attacks on the monarchy. For years, his party was split between pro-Soviet and pro-China factions and received funds from North Korea. As late as 1989 it supported the coup against Mr Mikhail Gorba-

But the international decline of communism and the advent of parliamentary politics in Nepal after 1990 prompted the party into some long-overdue revisionism from which it has emerged as more social democrat than socialist A western diplomat in Kathmandu savs: '7 think we could work with these people. They are



Communist party leader M. Adhikari: he called on the king to pay his respects

# Australian unions start to flex their muscles

High pay claims have prompted Keating to urge employers not to buckle under, writes Nikki Tait

Next year's growth would be the result of a global economic recovery and higher exports, as hese are anxious times in Australian boardwell as more investment in Taiwan's electronics and steel rooms. Across a wide industries, the statistics office range of industries, unions have been putting in large pay claims, and threats of indus-Economists cautioned that trial action have been quick to

employees in factories and

warehouses, has claimed 14.7

So far, there has been more

in the way of sabre-rattling than serious industrial disrup-

tion as the claims have been

pursued. This week saw local-

ised strikes by teachers in New

South Wales and workers at

Australian Meat Holdings, the

nation's biggest meat-process-

But the upheavals pale

beside the chaos which could

ensue if the TWU makes good

ing operation.

per cent, also over two years.

the demise of China's ailing paramount leader, Mr Deng Among the most publicised Xiaoping, could damage Taiwan's share and property markets. Uncertainty surdemands has been the claim for a 15.8 per cent wage rise, rounding parliamentary elecspread over two years, from the 75,000-member Transport Workers Union. This has been tions next year, and first-ever presidential elections slated for echoed by the Textile, Clothing early 1996, could also damp private-sector investment. and Footwear Union, repre-The ruling Kuomintang is senting 40,000 workers asking for a similar figure. The National Union of Workers, which represents blue-collar

expected take steps to stimulate the economy next year to enhance its prospects in those elections, Prof Wea Chi-lin of National Taiwan University said. He predicts the central bank is likely to nudge interest rates higher following municipal polls early next month, in line with recent US rate rises, but will bring them down again in mid-1995 to encourage

The statistics office said per capita income should reach \$11,629 (£7,260) in 1994, up from \$11,296 as previously forecast. The figure for 1993 was revised

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port services in the run-up to

Christmas. The main issue is where these claims will eventually be settled. Mr Ralph Willis, Australia's treasurer, has pointed out that many of the headline figures are mere negotiation numbers. Moreover, some

There are a lot of employers being spooked by the level of claims'

degree of "wages break-out" was probably inevitable, as employees made up for several years of recession-enforced restraint. But this wages round is

being played out under different rules from previously. Over the past two years, Australia's traditional system of centralised awards and arbitration, backed by a pact between the Labor government

and the Australian Council of

Trade Unions to pursue wages

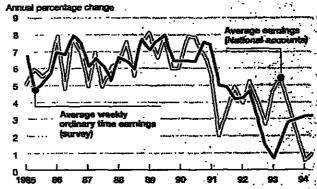
its threat to disturb road trans- outcomes which kept the nation's inflation rate in line with that of its trading partners, has reduced in impor-

tance. instead, an increasing num ber of workers have moved to company-based wage agreements.

According to Department of Industrial Relations data, at least one-fifth of all wage and salary earners are now covered by formal enterprise agreements. The number of agree ments, it estimates, has risen from about 360 in August 1992 to 2,700 at present. But both statistics may be understated since they only look at employ-ees in the federal awards system, not those covered by state-based awards.

The optimists say the new system should be more efficient, because companies will only pay above-inflation wage rises when justified on productivity grounds.

Given that labour productivity has been rising by about 1-2 per cent annually and the inflation target is about 2 per cent, the implication is that aggregate wages should increase by about 3-4 per cent a Australia: wages growth



year, but with considerable fears that less efficient compaflexibility for individual companies around this figure.

The problem is that wagebargaining psychology is stubborn. Economists have noted a trend in the latest wage round for a standard pay claim to be served on all employers in a

given industry, regardless of their individual circumstances. Since last year's industrial relations reform legislation beefed up workers' rights in dispute situations, there are

nies will be pressured into settling at the same level as their more productive competitors,

simply to buy peace. There is a risk that firms whose sales have been growing quickly will 'roll over' to avoid disruption to business, planning to push through price rises in the face of strong demand to offset higher labour costs," analysts warn.

Already, Mr Paul Keating, the prime minister, has urged

employers to stand firm. Yesterday, Simon Crean, a former union president and now employment minister, added that claims such as those of the TWU should be capable of being resolved by "sensible dis-

nployers' organisations which have long sought this devolved system. are optimistic. "Certainly, there are a lot of employers being spooked by the level of claims, and that in itself is a worry," says Mr Stephen Kates, economist at the Australian Council of Commerce and Industry.

But I think the reality is that most businesses will find they can't push the added costs (of above-inflation pay settlements] through to prices."

Financial markets seem less convinced. The yield on Australia's 10-year bonds stands at about 10.8 per cent, way above that of the US, which stands at about 8 per cent, and closer to the levels of Spain or Italy. While wages are only one ingredient in the inflation equation, it is not a sign of

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# A positive a++itude

It does seem as if India, the nation, has caught up with Essar, the entire country. With good reason, too.

India's recent economic surges have catapulted it into the top 5 investment markets. Stoking this interest further is its base of potential consumers, over 200 million strong. India's commitment to a market-

At Essar, a \$2 billion-asset company with quality professional management, we see ourselves as major contributors to, and beneficiaries of, this ideal scenario. We've already achieved business leadership in steel, shipping, oil & gas, power, finance. And a position among the world's largest groups. As we explore further, our clients and affiliates are discovering that in India, we test positive.

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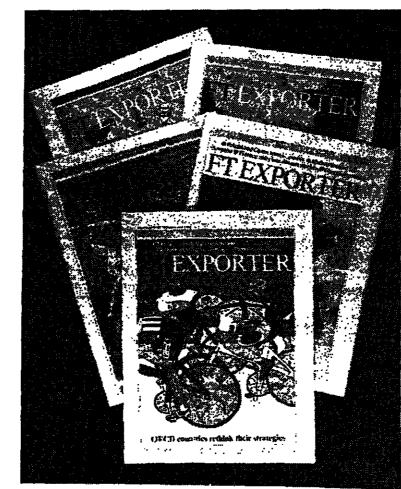
corporation. Our belief in a positive attitude is today the preserve of an

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# FINANCIAL TIMES



FT EXPORTER: Winter Issue - January 31st

The next issue of the FT EXPORTER, Europe's leading export review will appear with the Financial Times throughout the UK and the Continent, on January 31st. Packed with advice, information and case studies the FT Exporter is a "must read" for all current or potential exporters.

To receive further information, please contact

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Ministers defy rightwingers' refusal to support \$1.2bn rise in contributions

# Cabinet threatens to quit on EU vote

by the bill would be limited to

£75m next year and £250m a

year by the end of the century.

Eurosceptic MP, said the gov-

ernment had "caved in because

they now have to recognise the

strength of the determination

Ministers remained confident

of victory in the debate, partly

because the nine Illster Union

ist MPs are expected to vote

with the government on Mon

Conservative MPs are

demanding swingeing public

spending reductions in Tues-

day's Budget to pave the way for tax cuts before the next

general election, according to a

Mr Clarke's personal rating

has risen sharply, with 82 per cent saying he is doing an

excellent or good job compared

Financial Times survey.

of the Eurosceptics and we are

once again proved right".

Mr Bill Cash, a leading

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Mr Kenneth Clarke, chancellor of the Exchequer (chief finance minister), yesterday raised the stakes in the government's bat-tle with its Eurosceptic back-benchers by revealing a cabinet pact to resign en masse if the government loses a crucial vote on Monday.

The chancellor's disclosure followed rightwing anger over Treasury figures admitting that UK contributions to the EU budget will be £732m (\$1.2bn) higher than expected

The increase, attributed to faster economic growth, was seized on by Eurosceptics as justification for their plan to vote against the second reading of the European Communities Finance Bill

It prompted rightwing claims that up to 24 Tory backbenchers are now willing to back a challenge to Mr John Major's leadership of the Conservative party, probably by someone intended to draw out a serious challenger.

But amid mounting speculation. Mr Clarke demolished Eurosceptic claims that the defeat of the bill would trigger

a Tory leadership ballot rather than the general election threatened by Mr Major. Mr Clarke said "the entire cabinet" agreed with the prime minister's decision to make the bill an issue of confidence, and ruled out Mr Major's replacement by any senior govern-

"If anything silly were to happen on Monday, it would be the inevitable consequence of the defeat that the government would fall," he said.

ment member.

The decision to risk the future of the government by treating the bill as a confidence issue was taken by Mr Major and a group of five senior cabinet ministers over an informal supper at Downing Street 10 days ago. The ministers present - Mr

Clarke, Mr Douglas Hurd, foreign secretary, Mr Michael Howard, home secretary, Mr Michael Heseltine, trade and industry secretary, and Mr Tony Newton, leader of the Commons - all backed Mr Major's strategy.

Downing Street officials said the issue was not minuted formally by the cabinet, but other ministers were consulted by the prime minister and chan-

Mr Clarke said the increase in this year's forecast out-turn. from £1.7bn to £2.4bn, reflected What Tory MPs faster economic growth and factors such as changes in pay-ments under the Common see in the Agricultural policy.
Mr Clarke also released fig-

would like to Budget ures showing that the increase in British contributions caused



MP	between November 8 and November 22	In Carpavana
•	What should Kenneth Clarke set as his first Budge	et priority?
	Cuts in spending and/or borrowing	50%
	Steady non-inflationary growth	24%
	Boosting investment/cutting unemployment	12%
	Tax cuts	. 7%
•	Should he cut the basic rate of income tax?	
	Yes	11%
	No	86%
•	Should he impose a windfall tax on privatised utili	ties?
	Yes	14%
	No	80%
•	Where should spending cuts fall most heavily?	
	Social security	77%
	Education	6%
	Detence	7%
	Health	13%
	Local authorities	34%

#### Top pay **Abandonment** levels of Maxwells' may be trial is urged curbed

The brothers are sons of Rob-

The attempt to halt the crim-

inal proceedings against Mr Kevin Maxwell and his brother

lan was disclosed in court for

the first time yesterday when

the Serious Fraud Office

applied for a reporting ban on

a current High Court case con-

cerning Maxwell pension fund

assets used to raise a £50m

A successful SFO application

would rule out any reporting of

the attempt by UK pensioners

to recover follow from Credit

Suisse bank, which accepted

the assets as collateral for the

loan. The SFO claimed the ban

was necessary to avoid prejudi-

cing the criminal trials, the

first of which will start after

Easter next year. The Credit

Suisse case is expected to end

next summer, but if the SFO

succeeds, pensioners could be

left in ignorance of the result

for a further two years, their

Mr Justice Lindsay, the

judge in the Credit Suisse case,

rejected an SFO request for the

imposition of reporting restric-

Arguments over calling off

tions on yesterday's hearing.

lawyers argued.

ert Maxwell.

(\$82m) loan.

By John Mason, By Ivor Owen, Law Courts Correspo

Shareholders may be given Defence lawyers are seeking to have the Maxwell brothers' trial on fraud and other increased powers to curb excessive pay increases for top company executives, Mr Kencharges called off on the grounds that publicity over the Robert Maxwell affair has neth Clarke, chancellor of the Exchequer, disclosed in the House of Commons yesterday. made a fair trial impossible.

He revealed that the practical issues involved were under examination as the government came under renewed pressure to condemn the 75 per cent rise awarded to Mr Cedric Brown, British Gas chief executive.

It is understood that the chancellor has had prelimipary discussions with Mr Michael Heseltine, trade and industry secretary, about the legislative implications of increasing shareholder power. Mr Clarke ruled out renewed Labour demands for the imposition of a windfall tax on the

excess profits of privatised utilities, and for executive salaries to be brought within the regulatory regimes which oversee their pricing policies. He said he disapproved of large salary increases in any company which went far beyond what could be deemed

Sir Edward Heath, the former Conservative prime minis-ter, described Mr Brown's increase as the "unacceptable post-privatisation face of capi-

Mr Gordon Brown, the oppo-sition Labour party's shadow chancellor, said the profit levels of the privatised utilities had increased by 50 per cent during the recession

line for trial will be four of the six facing various fraud charges - Kevin and Ian Maxwell, Mr Larry Trachtenberg, a former adviser to their father. and Mr Robert Bunn, a former finance director of Maxwell Communication Corporation.

In the first trial, Mr Kevin Maxwell will face only two charges of a total nine. These allege conspiracy to defraud over pension fund assets. Mr ian Maxwell, Mr Trachtenberg and Mr Bunn will all face one charge of conspiracy to defraud.

Further proceedings against the four along with two former Robert Maxwell employees, Mr Michael Stoney, a former Mirror Group Newspapers finance director, and Mr Albert Fuller, a former MGN treasurer, are

set to follow next. Mr Michael Crystal, lawyer for the Mirror Group Pension Fund Trustees, argued against a blanket reporting ban on the Credit Suisse proceedings. The criminal proceedings might last until 1997 and such an order could prevent pensioners being properly informed of the result of their action, he said. In the action, both the trust-

ees and the liquidators of Bishopsgate Investment Management, the main Maxwell pension management company, are suing Credit Suisse. They claim the bank knew, or should have known, that shares it accepted as security for the £50m loan were pension fund assets.

the criminal proceedings Ten national newspapers are against all defendants in the opposing the SFO application Maxwell fraud trial will be The hearing was adjourned heard next January. First in until December 5.

# Senior Tory ridicules French and Germans

Political Correspondent

The Conservative party's divisions over the European Union were demonstrated starkly yesterday as Conservative central office disowned an outspoken attack on the French and Germans by a senior Tory official.

Mr Patrick Nicholls, MP for Teignbridge and a deputy chairman of the party, was widely condemned for a newspaper article ridiculing the Germans as warmongers and the French as

Writing in the Western Morning News, his local newspaper, Mr Nicholls said Germany's main contribution to Europe had been to plunge the continent into two world wars within living

Mr Nicholls dismissed the French as

"a nation of collaborators," who presented themselves as a nation of resistance fighters.

He said France was "incapable of winning any war unless it is fought by the French Foreign Legion, and only then because it is officered for the most party by English, Americans and Ger-

Explaining his dislike of the EU, Mr Nicholls wrote: "I wish I was not in the

European Community. If I thought it was feasible to leave it, I would be off tomorrow." Conservative Central Office distanced

itself from Mr Nicholls, who is responsi ble for campaigning strategy for Wales and the South West, and the elderly. "He makes it clear that he fully sup ports the government's policy towards

Europe. His choice of words is his, not ours," a senior party official said.

# **Postal** workers set to strike

By Robert Taylor,

One-day post office strikes will be held in the run-up to Christmas as counter staff around Britain showed substantial support for action in response to their union's call to oppose the "back-door privatisation" of services.

trade and industry secretary, told MPs that industrial action by counter staff was "extremely unwise". He said strikes aimed to "frustrate the management of the Post Office.

Mr Michael Heseltine, the

transferring individual post offices from the public to the private sector". There were majorities in favour of striking in only 20 out of 71 areas. In the ballot,

the entire UK counters' staff rejected the strike call by a narrow 51 per cent to 49 per cent, but each postal area has been allowed to decide whether or not to take industrial action. The Post Office said the result was "a resounding rejection of unnecessary industrial action". Any strikes would be

"pointless and misguided". Only a small minority of crown offices could be affected by a few single-day stoppages." the Post Office added. " than 19,000 post offices will be open for business as usual. Whatever action the Union of Communication Workers takes will have no affect on the

nation's Christmas mail." The union said that, despite the U-turn over privatisation, the Post Office counters' service was continuing to shut down main offices, franchising many of them to retailers.

# Cadbury seeks to 'marginalise' trade unions

Cadbury, the confectionery arm of Cadbury Schweppes, is planning to weaken the trade unions at its plants through a new strategy for its 5,000 UK employees, according to internal company documents obtained by the TGWU general union, our Employment Editor

writes. An internal company paper ...t.ne union needs to be marginalised by greater focus on direct communication and consultation but without an overt statement to this effect."

The paper is a summary of the "personal values agreed by senior factory managers" at a meeting on September 29. The leaked document sug-

gests that the company will need to reduce its workforce, and says it may have to consider a "potential downsizing scenario" It also says: "Employee support for the trade union

should...decrease over time. However, it is not likely that the trade union would be derecognised, given the likelihood of downsizing. A redefined role for the trade union is therefore required." The company adds in the

paper that, for those groups whose unions have been derecognised, "it is important they are not exploited by the company as this would lead to pressure for renewed trade union involvement". Cadbury also intends to investigate "how involvement

can continue without formal union structures". Cadbury's other plans include "severing the link between the retail price

Zeneca, the chemical and pharmaceutical company, has decided to end collective bargaining with unions representing 8,200 white-collar staff in its UK plants.

The company has given union officials six months' notice of its intention to abandon company-wide negotiaservice including hours of work, holidays, working arrangements, shifts and security of employment.

From next April, the pay of Zeneca's staff will be determined through assessment by local management of individual performance, ending the old system of annual across-the-board cost-of-living awards in addition to merit review rises. Union leaders said vesterday that they were shocked by Zeneca's move.

index and pay and replacing collective bargaining with individualised arrangements" tied to skill, competence and performance-related salaries"

Mr Brian Revell, the TGWU's national secretary for the food industry, said the new strategy was disappointing. "It is certainly not consistent with the company's respectable Quaker image of the past," he said, and suggested that it was being "basically . . . manipulative". Shop stewards from Cadbury unions are due to meet this weekend to discuss their

The company said last night that Cadbury was "looking at possible options for the

# POUSSEZ

"The postman didn't ring twice." "Usually, there is no love lost between banks and the postal service, right?

asks Gerald Richard, Asset Management, UBS. "Well, not long ago a major European post bank asked us to launch a mutual fund for them in Luxembourg. They didn't have to think twice about our qualifications: we're a leader in asset management worldwide, the number one Swiss bank, and our AAA rating is a pretty nice support."

National service could be in place by end of 1997

# BBC backs digital TV plan

By Raymond Snoddy

The BBC has decided in principle to push ahead with the launch of digital terrestrial television and a near-national service could begin as early as the autumn of 1997.

A BBC study following the government white paper on the future of the corporation has come to a positive interim conclusion on digital television. Terrestrial digital television

involves turning the conventional television picture into digits, the language of computers but broadcasting channels over land-based transmitters rather than by satellite.

The technology would allow the launch of wide-screen television - giving a picture shaped like a cinema screen and a number of extra chan-

television channels could be created in the UK and broadcast alongside the conventional four national channels

No final decisions have been taken, but the BBC believes digital technology will win over existing analogue technology in the end.

A crossover period of between 10 and 15 years is likely, however, when the two systems will have to be broadcast at the same time so that no-one is deprived of their basic television service.

The BBC may carry out its first public technical trial in March and a limited regional trial could get under way in late 1995 or 1996. The corporation, as a pub-

licly fund organisation, can take the first steps in creating a digital terrestrial service. Executives emphasise, however, that nothing of substance will happen unless the project is supported by other British broadcasters and by the consumer electronics companies which would manufacture the set-top boxes and new television sets. Mr Charles Allan, chief exec-

utive of both Granada Television and LWT, recently expressed interest in digital terrestrial television and the possibility of creating new channels that it offered.

The BBC has been having talks with consumer electronics companies such as Sony and with representative of the ITV system.

On Monday the BBC will announce that it is going ahead with two 24-hour a day satellite channels for Europe in a joint venture with Pearson. the media and entertainment group that owns the Financial Beyond the usual.



As many as 12 new digital

# Ireland set for jobs boost from peace process

By John Murray Brown in Dublin

The International Fund for Ireland, set up by the British and Irish governments to promote investment in the depressed economies of Northern Ireland and the border counties, could create up to 20,000 jobs over the next three or four years, Mr William McCarter, the fund's chairman, said yesterday.

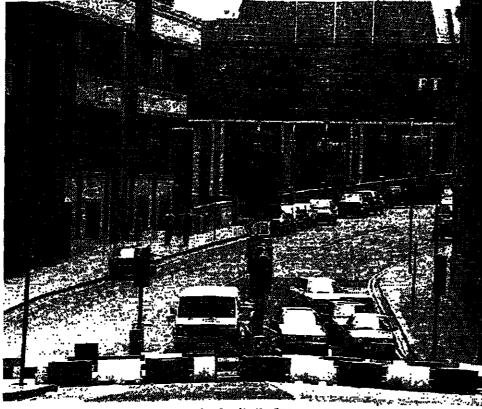
Mr McCarter, who is manag-ing director of Fruit Of The Loom, the Donegal-based US textile concern, said the opportunities for US led-investment, whether greenfield, joint ven-ture or technology transfer, had "never been better".

Speaking in Dublin yesterday, he predicted that the peace process could provide "surprising levels" of foreign investment in Northern Ireland and the border counties, either taking advantage of the Republic of Ireland's attractive tax regime or locating in Northern Ireland. The fund, set up in the wake

The isolation of Ulster is compounded by its lack of integration with the Republic of Ireland, says the latest quarterly forecast from the National Institute of Economic and Social Research, Stewart Dalby writes. It says an end to the "Troubles" could help bring about an integration in the vital areas of manufacturing and food. The institute calls into ques-

tion a perception that Ulster's fringe position in the UK could be a deterrent to inward investment, findings transport costs from the province to Berhin and Milan are substantially lower than costs to the same places from Dublin. Costs to New York are 27 per cent less.

of the Anglo-Irish agreement of 1985 to help stimulate privatesector investment and crosscommunity business contacts, receives contributions from the US, the European Union, Can-ada and New Zealand. It has about \$250m (£152m) of contributions already committed.



The City of London is stepping up security despite the IRA ceasefire by spending an extra £1m on closed-circuit security cameras to back the existing street barriers at entry points to the City. This view of the FT building was taken from within the City's secure area across one of the barriers

The US announced earlier this month that if Congress approved, its allocation to the fund this year would be doubled to \$20m, increasing to \$30m for each of the following two years, while the EU now gives about \$18m to the fund.

night. In Belfast, the capital, they soared to 16,000 compared Essen on December 8 and 9 when European heads of govwith 7,000 a year ago. ernment are expected to decide on additional support for

 Tourism inquiries about Northern Ireland have more than doubled since the IRA

Worldwide inquiries in October rose from 13,300 to 25,500. At the same time, hotel occupancy rates increased by 5 per

# Cigarette trade in surplus

Exports to all but the wealthiest regions outside the European Union account for almost two-thirds of British output of cigarettes, official trade figures show.

Meanwhile imports account for only about a fiftieth of the total value of the UK cigarette market, but nearly two-thirds of the total volume of cigarettes sold, indicating that domestic brands are concentrated at the quality end of the

Although tobacco exports account for only a tenth of the total value of UK cigarette output, they represent more than three-quarters of the volume.

These are the type of statistics that have emerged in a

tions that launched in London yesterday by the government's Central Statistical Office and Taylor Nelson AG, the market research group.

The new data, aimed at busies, provides detailed information on the import penetra-tion levels of different sectors for the first time for seven years. Import penetration figures used to be issued by the Department of Trade and Industry, but were halted in

The new business series. which collects statutory information from 28,500 businesses under a recent EU, is harmonised with the trade data, allowing import penetration levels to be calculated for some 4,800

The move follows a decision

Office to contract the marketing of this industrial data out to Taylor Nelson earlier this

Although the new data have been welcomed by many businesses, some trade groups have expressed unease about its high cost, with most of the 125 sectoral reports selling for between £65 (\$107) and £225.

The reports on sectors will become available over the coming months. Samples of preliminary 1993 data on the tobacco industry were issued yesterday and indicated that the UK is now running a significant trade surplus in the cigarette Nine tenths of cigar sales in

the UK are home produced, while almost all the pipe tobacco produced is exported.

# Land proposals favour businesses

The British government is about to announce proposals for dealing with contaminated land that are expected to minimise the cost to industry of cleaning up polluted sites. Under the plans, to be

announced soon, polluted sites will only need to be cleaned to a standard suitable for their intended use and not restored to their original, unspoilt state. For instance land intended for use as a car park would not need to be cleaned to the same standard as a site on which a school is to be built.

By setting such a standard, government hopes business

will avoid the huge clean-up costs encountered in countries, such as the US, which have taken a tougher stance on industrial pollution.

Legislation is expected to follow principles in a consultation paper issued in March. It drew fierce criticism from environmental groups but a cau-Municipal authorities will be told to keep records of all significantly polluted sites in their areas. But registration will be based on actual rather than potential contamination. Last year the government dropped controversial plans for public registers of potentially UK NEWS DIGEST

# 750 Airbus jobs to go next year

British Aerospace is to shed 750 jobs next year at its Airbus plants at Filton in south-west England and at Broughton in the north-west. In September, Raytheon, the US company which recently bought the BAe executive let division, announced that it would close the Broughton factory by 1997.

Most of the redundancies announced yesterday will be at Filton, where 550 jobs will go with the completion of a contract for the conversion of old Vickers VC10 airliners into refuelling tankers for the Royal Air Force.

The Airbus division employs 6,500 at the two plants, but BAe has already reduced the workforce by 900 this year through contracting out

#### Traders demand jail term after rampage

The law should be changed to allow the jailing of a boy of 14 who has been arrested near his home in northern England 88 times, local traders said. The boy has been convicted of more than 100 break-ins in the small town of Elland, near Leeds, but all the offences were committed before he was 14.

The toughest sentence that magistrates could therefore impose was a term of 24 hours at a juvenile attendance sentence to be served in blocks of two hours every other Saturday. A fine was considered inappropriate because his family is on state aid.

The Elland League of Trade Industry and Commerce said the town (population 18,000) had suffered a 144 per cent increase in burglaries and a 100 per cent increase in acts of damage during the first nine months of the

"The knock-on effect of one young boy's nights of fun is having serious consequences for the town," said league head Mrs Jackie Rourke. "The government has given us £8m to develop 100 acres of prime land in Elland Potential investors could create 2,000 jobs here, but then they come and see what's happened to the place, with shops boarded up and shutters everywhere."

#### Internet used by almost 30% of businesses

Almost 30 per cent of UK businesses are already connected to the Internet, market research findings showed yesterday. The study, conducted by Hi-Tech Marketing on behalf of Pipex, an Internet service provider, was based on responses from 300 companies and other organisations.

More than 95 per cent of those not connected to the Internet, the informal system of com-

puter networks which connects databases and computers across the globe, expect to do so within the next 12 months. Among those who are connected, most believe its use as a communications tool outweights its use as in infor-mation service. More than two thirds use the internet most frequently to send electronic mail - to customers, suppliers and employees elsewhere in a group:

#### Dutch group buys Polly Peck offshoot

Vestel, the listed Turkish consumer electronics subsidiary in the Polly Peck group, has been sold for an undisclosed sum, administrators to Polly Peck international said yesterday. Vestel was set up by Mr Asil Nadir's Polly Peck International group in 1984. The fruit-to-electronics empire failed in 1990.

Proceeds of the sale of the 88 per cent stake in Vestel, which makes colour televisions, will go to PPI Holdings BV, an intermediate Dutch holding company. Mr Chris Barlow, lead administrator to PPI and a partner with Coopers & Lybrand, said: "The proceeds of the sale will be divisible amongst the three creditor groups of PPI Holdings BV, one of which is ultimately Polly Peck International." Vestel's new owner is Turkish businessman Mr Ahmet Nazif Zoriu, chairman of Zoriu Holdings, a textile manufacturer with a turnover last year

#### Dürer prints are found during shed clearance

A collection of prints found by a householder clearing a shed had been found to commit two original works by Albrecht Dürer. A collection of music by Mozart in the same trunk had been chewed into pieces by mice and used for

building their nests.

"They had obviously once been someone's much cared for collection," said the householder, who lives about 70km west of London "I thought they might be worth £1,000 (£1,640) or £2,000." But the collection was later estimated as likely to make £350,000 at auction. Mr Richard Godfrey, a specialist in Old Masterprints at Sotheby's in London, said the Durers vere the finest woodcuts he had seen for many years. "In an age when so many prints have been cleaned and spoiled, the benign neglect' suffered by these prints in the trunk has preserved them in an almost perfect condition."

#### Treasure status is urged for bulldogs

The government should consider declaring the British bulldog a national treasure, says the Kennel Club. It says buildogs should be protected in the same way as paintings and build-ings because of the breed's associations with the British character.

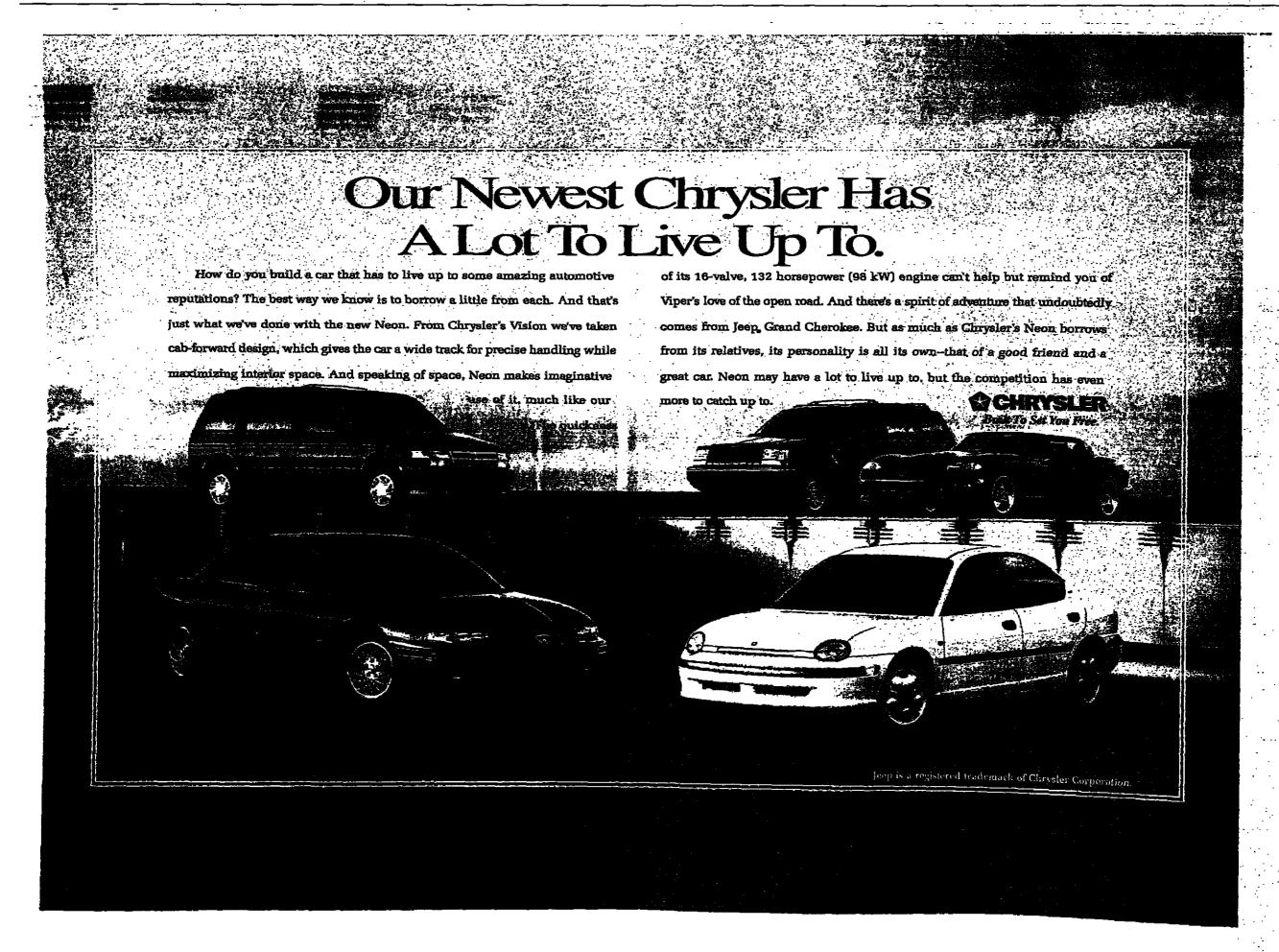
In Japan, the Shiba-Inu is classed as a national treasure and has been made an official symbol of the country, the club points out. "The number of bulldogs in Britain has declined quite significantly since before the Second World War and recognising the breed as a national treasure would be a way of ensuring that it never died out," the club adds.

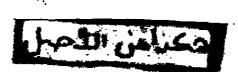
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# **MANAGEMENT: MARKETING AND ADVERTISING**



A prominent American doctor tests the Mark Eden Bustline Developer Is it now possible for a woman to add 3 full inches to her Bustline in only 8 weeks?

# Sold on self-regulation

The advertising code gets a new look in January, writes Diane Summers

be able to start the New Year by tearing up the old L Trule book which governs what they can and cannot say in their copy.

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A new version of the detailed codes which underpin non-broadcast advertising's system of self-regulation (television and radio bave their own rules) will still require advertisements to be legal, decent, honest and truthful. But from January, the rules which flesh out these principles will be shorter, sharper, and more in tune with the current

demands of the marketplace.
This thorough overhaul of the advertising codes will be watched in other countries. Britain's Advertising Standards Authority is playing a leading part in arguing for the principle of self-regulation of adver-tising throughout the European Union, as well as advising eastern European countries on how to set up their own systems.

The new combined British codes of advertising and sales promotion practice, which until now have been separate documents, will, for the first time, set out rules in two areas where there have been profound changes in public attitudes since the formation of the codes more than 30 years ago; motoring and the environment.

The wording has yet to be approved, but it is likely that the code will outlaw car and fuel advertisements which encourage "anti-social" behaviour or make speed or acceleration claims their main message. Advertisers will be prevented

from depicting vehicles in dangerous situations or in a way which would encourage irresponsible driv-

On the environment, terms such as "environmentally friendly" and "wholly biodegradable" will have to be qualified. Advertisers will need to make it clear if there is a division of scientific opinion, or if the evidence for an environmental claim is inconclusive. "Extravagant" language and obscure scientific terms likely to mislead people will also be discouraged.

A third, less material, addition will be the inclusion of a "politically-correct" catch-all phrase. Advertisers will have to take care not to cause offence on the grounds of race, religion, sex, sexual orientation or disability.

The rest of the revision includes simplifying the language and sweeping away defunct clauses. Out, for example, goes a section in the code on "height increase courses" which bans advertisements for the "development of the physique" from suggesting that "thereby, users will become taller". These kinds of advertisement, like miraculous "bust development" courses, are no longer the prominent feature of the advertising columns they once were.

"People were ploughing through quite a number of rules to get to the ones they wanted," says Matti Alderson, ASA director-general explaining a general feeling that much of the code was no longer relevant. "One of the objectives of the review was to emphasise those rules that were most important." There is some risk that, in the process of simplification and wider definitions, the rules will become too lax in some areas, argues Stephen Locke, director of policy with

Consumers' Association, one of the

bodies consulted during the yearlong examination of the codes. "On motoring, for example. there's a reference to adverts for cars avoiding any practices that are anti-social. But it's not clear what they mean by anti-social - we'd like to see examples in this kind of

area," he says.

A put forward a number of suggestions for changes in the way the ASA operates, none of which has so far been accepted. Among them was a requirement that the ASA accept telephone complaints - at present these have to be written - and the introduction of tougher sanctions against repeated offenders. CA would like to see a system of fines available for use in extreme circumstances: at the moment the ASA relies chiefly on adverse publicity and help from publishers and the postal service to enforce the code.

But overall, it is in consumers' interests that advertising is regulated by the industry, says Locke: "It's widely seen as a success story. There's no doubt we get more out of self-regulation than we would out of statutory regulation, not least because it can be more flexible and give the benefit of the doubt to complainants - it doesn't have to be legalistic in its approach."

Advertisers are certainly keen to keep the legislators at bay. In a speech on advertising freedoms, due to be delivered at Leeds University tonight, Peter Mitchell. Guinness's strategic affairs director and president of the World Federation of Advertisers, argues that self-regulation "has the ability to be speedy, cost-efficient, effective and available at no charge to the complainant".

Self-regulation must continue to work well, "otherwise the public perception that advertising is legal, decent, honest and truthful begins to decline" and the pressure for intensified regulation would grow, says Mitchell

The ASA is convinced that Brussels recognises the value of self-regulation and will, in general, try to avoid imposing centralised, harmonising legislation on the industry. The Brussels-based European Advertising Standards Alliance, which co-ordinates 18 self-regulatory bodies across the EU, plus Austria, Sweden and Switzerland, has stressed to the European Commission that attempts to harmonise would be unwise. Instead, Oliver Gray, EASA director-general, sees "over time a convergence of princi-

ples of self-regulation".

The self-regulation message is also spreading east. A joint EASA/ ASA team has visited Prague to help set up a council for the selfregulation of advertising in the Czech Republic, and there have also been requests for help in setting up codes from Poland, Slovenia and Latvia, says Gray.

# A direct flight to the travelling public

Richard Tomkins on USAir's unusual method of explaining its safety record to passengers

There is probably no subject more sensitive to airlines and their passengers than safety. Usually it is the last thing airlines want to discuss in advertisements: however good their safety records, most carriers have suffered fatal crashes, and the few that have not are reluctant to boast about the achievement for fear of tempting

How, then, to explain the advertising campaign launched this week by USAIr, the loss-making US carrier in which British Alrways owns a 24.6 per cent stake? In newspapers across the US, and some overseas,the airline has addressed the subject directly, taking full-page advertisements to assure the travelling public that safety is its

first consideration. The danger of such an unusual campaign is that it immediately prompts travellers to ask why it has become necessary. In USAir's case, the answer is clear: the airline has experienced a spate of five fatal air crashes over the last five years, two of them in the last six months. Already bedevilled by acute financial problems, it is now losing business because of deeper customer fears.

USAir's advertisement, framed as an open letter to travellers from Seth Schofield, chairman and chief executive, seeks to reassure passengers by announcing two moves. The airline says it has appointed Gen Robert Oaks, formerly commander in chief of the US Air Forces in Europe, to oversee the safety of all the airline's operations, and says a US consultancy called PRC Aviation has been commissioned to carry out an independent safety audit. "In closing," Schofield's letter

rest until each and every member of the flying public shares in the certainty of our commitment to be the safest of airlines." Richard Weintraub, USAir's senior director of public affairs, acknowledges that the advertising campaign is unconventional, but says the airline is not in a

conventional situation. Referring

to USAir's fatal accidents in July

ends, "let me say that we will not

**USAir** On behalf of the 45,000 people of USAx, I would like to speak to you on a subject that is of vital importance to at of us - the safety of air travel in the Linead States. We who are artists professionals knowns a system and our planes are safe. This is validated each and every day by federal regulators who figuretures proper our maintenance facilities and review our records To be certain that you share this conviction, I am announcing two important steps to assure you of the validity and integrity of our operating standards. First. General Robert C. Caks, a highly decorated command pilot and the former commander in chief of U. S. Air Forces in Europe, top agreed to oversee USAir's safety operations in the air and on the ground. He will recognificate the property of General Oaks is a proven dynamic lead support high-performance arccaft in a h s exactly the lund of environment in w Sig F Soldelle Second, I have asked one of the: Sem E. Scholield Charman and Chief Executive Officer covery ator here A PROPERTY OF THE PROPERTY OF

and September of this year, he says: "There really is very little, if any, precedent for two accidents of this nature occurring in such

proximity."
Arguably, the spate of accidents is coincidental. USAir points out that there is no obvious link between the five crashes that have happened since 1989. The Federal Aviation Administration, the US government body responsible for aviation policy, has had USAir under extra scrutiny since 1992 because of earlier accidents and because of the airline's financial difficulties, but says USAir continues to meet the highest standards of safety consistent

with the FAA's safety regulations.
In terms of raw statistics, it is true that USAir tops the league table of big US carriers for accidents per 1m flight hours over the last five years. But those figures weigh particularly heavily against USAir because most air crashes happen during take-off or landing, and USAir has more short-haul flights than any other US carrier. In terms of accidents per departure over the last five years, the airline ranks behind

Continental and United. Logic aside, however, it is hardly surprising to find that USAir's business has suffered. Last month, the airline said it reckoned the crashes had cost it \$40m (£24.3m) in revenues in the quarter to September, contributing to net losses of \$180.1m. Weintraub says the airline's latest figures show that year-on-year bookings were up 12.6 per cent in the 10 months to October, but were up only 2.5 per cent in the month of October alone. Weintraub says USAir has little

to lose by running the advertisements because media coverage of the accidents has left few people unaware of them. On the other hand, he says, market research and anecdotal evidence suggest that the barrage of adverse publicity has introduced doubts about safety into the minds of even its most loyal customers, and the advertisements could do some good if they counter that. "It is extraordinarily important that we reach out and share our conviction about what we know to be a certainty, which is that we run a safe airline," Weintraub says.

# INSEAI

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5 - 17 March 1995



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# Slow dawning of electronic risk

n Japan's financial services industry, information technology boffins tend to work in back rooms developing computer systems to help traders and fund managers make the best of a changing investment world. Much of their work is a mystery even to their colleagues in the trading

The pace of technological development has been slower than in the US and Europe, and the pattern of computerised applications has been strongly influenced by Japan's recent boom-bust experiences.

In the early 1980s, Japanese analysts and brokers relied on paper and intuition to make their deci-sions in what was a less sophisticated financial environment. Their counterparts in New York and London were already investing in IT. But as investment opportunities in overseas markets have increased. Japan's financial sector has tried to match competitors abroad.

Nikko Securities, Japan's second largest brokerage, was one of the first into the fray. Its computer model for picking the best-performing stocks, developed jointly with Barra of California in 1986, has become the standard for Japanese equity analysis. Most investment houses still use variants of it.

Its application took off as the stock market boomed in the 1980s. Brokerages making large profits

est bank and a big player in uji Bank, Japan's third largworld derivatives markets, is aware of the value of computers in the fast-moving environment of swap and option trading.

The company recently bought a Cray mini-supercomputer for its New York-based subsidiary's derivatives operations, linking it via a wide-area network to workstations on the desks of its London and

Hong Kong traders. Back at headquarters in Tokyo's Otemachi business district, Fuji's derivatives traders do not yet have the power of a Cray to help them in their decisions. The pace of these markets is getting so fast that we cannot compete without comput-

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tunities in computerised analysis. "For brokerages, computer modelling and quantitative analysis came to mean index funds," said Hiro-

fumi Yagi, general manager of Nikko's investment technology research department. Computers virtually ruled the trading rooms from 1987. But faith

in electronic analysis was undermined when shares tumbled in 1990 and financial houses shifted the application towards risk control. "Brokerages began to re-evaluate what they used their models for." says Yagi. "We saw that our com-

puter models could be used to control risk. Now Nikko uses computer tech-niques primarily to measure risk in investment funds, to construct portfolios and for investment in over-

The company says it is still a long way behind the Americans and Europeans, but it has started to hire graduates with higher degrees in mathematics and physics to boost its 100-strong research operation. Nikko is looking at neural networks and artificial intelligence for asset management and allocation. It is also trying to enhance existing models that analyse the performance of individual stocks.

Japan's life insurance companies have reached similar conclusions on

insurers are some of the largest investors in Japanese financial markets and most were using computer models for portfolio risk analysis and allocation by the late

Asahi Mutual Life Insurance, Japan's third largest insurer with assets of Y10 trillion (£6.2bn), uses two types of model to support its fund managers. The first is for risk analysis based on US techniques, and the second is a locally developed product that gives the optimum weights for stock and bonds in domestic portfolios.

The local model took the company around a year to develop, according to Kouichi Kurata, manager of Asahi's quanti-tative research division. It uses Sun workstations to crunch data on company earnings growth, valuation, historical stock price momentum and P/E ratios to pick equities, and price momentum information for domestic bonds. Kurata rates the model as quite successful, although he says it often underperforms when used on investment strategies for periods of less than six months. Kurata and his five research staff

are likely to start work soon on new models for asset allocation and overseas equities. Kurata shares the view that com-



in the boom years of the late 1980s. "There was a lack of understanding of how these things worked at that time," he says. "Now we are learning how to use them properly. Government concerns also limit the use of advanced IT in Japan. The Ministry of Finance does not forbid the trading of derivatives by law, but it has "guidelines" that deter financial institutions from trading in the more exotic types of product such as equity-linked index swaps. The ministry, the financial industry watchdog, is worried that

may lead to bankruptcies, and heavy losses for investors. Japan does not yet have markets for most of these financial products, but Japanese institutional investors have set up trading operations in London and other offshore centres where they can take part. The result is that most of their best quantitative analysts are working

Yagi believes the government will eventually allow investment houses to trade in new financial products locally, which may spur investment

the models contain adequate provisions for risk. His department looks over the models and checks that they do not leave the bank overstretched. Value-added risk calculations make the models accurate for most situations, except market

panic.
Takeshima sees Fuji being drawn into a spiral of ever greater investment in computing power and software just to stay afloat.

Once Japan's Ministry of Finance lifts rules governing the booking of profits from overseas derivatives trading and allows trading in other financial products, the bank will need more complicated models to stave off competition. "The game

# Body shops order CD-Rom parts

Joia Shillingford on a system that makes car repairs easier

ex Retail, the UK car dealership group, is dequipping its 54 body shops with a system for estimating repairs based on a CD-Rom disc

The system stores data on 500,000 car parts on a single CD-Rom (read-only-memory) disc, which is played on a drive connected to a personal computer.

Several car-rental companies and insurers, including Guardian Insurance and Royal Insurance, also use the system, called Glassmatix, to help agree estimates more quickly with their

approved body shops.

The system, produced and sold by Glass's Information Services, bases repair times on data drawn from a UK research centre in Thatcham, funded by UK insurers. Car-part prices in Glassmatix come from the manufacturers.

Steve O'Brien, UK fleet <u>maintenance manager at Budget,</u> the car rental company, says he wanted estimates based on criteria that were standard in the insurance industry.

At Budget, the damage manager examines a car and decides what new parts are needed. He then passes a barcode wand over the relevant reference in a catalogue. For example, he might swipe the barcode for a new side wing in a 1994 Ford Mondeo. The information is later transferred to the

The PC works out (based on a CD-Rom updated monthly) how much each repair will cost, including parts and labour. It also works out the most efficient order in which to do repairs, keeping

labour costs to a minimum. "We basically tell the bodyshops what we're expecting to pay," says O'Brien. This has contributed to a £1m cut in maintenance costs a rear, the company says.

The system also works out when car is not worth repairing. O'Brien says: "If repairs are going to cost more than 35-40 per cent of the car's value, we replace the car with a new one."

The system means Budget spends less time rummaging through car-part catalogues or phoning suppliers and haggling over repair estimates.

It has also enabled insurers, and other users, to see more clearly the size of mark-up being made by some garages over the retail price of a component. "At first we thought the system was wrong," says Jeremy Seal, chief motor engineer at Guardian Insurance. "Now we're picking up on overcharging, even if it is as small as 1.5 per cent."

Guardian Insurance – part of Guardian Royal Exchange Insurance – is to equip its staff engineers with a portable version of the system so they can send estimates back to the office via the Ram Mobile Data network, the UK mobile data service.

Some insurers, such as Guardian, also plan to use a related product - Glassimage -which enables still or moving video images of damaged vehicles to be sent to the insurer down elephone lines, or over a mobile data network. The software, which compresses the size of each video image, was developed in conjunction with video card company, Videologic. Users will need a standard video

camera, a video card and a modem to take and transmit still or

moving images.

The Thomson Corporation, which owns the Mitchell's Which owns the in the US (on which Glassmatix is based) invested 16m to help Glass's develop the UK version of the product. The company says it may have to wait several years for a return. But there is a potential market of 2,500 insurance assessors, the 5,000 biggest oodyshops and principal car dealers and fleet managers.

Subscribing to Glassmatix costs 25,000 a year including paper catalogues, monthly CDs and support, but excluding hardware. Glassimage costs an extra £495 a

There are similar products on the market. The best known is Audatex, which is owned by Swiss insurers Swiss Re. Its collision-repair estimating system draws information on parts and labour costs from manufacturers. Audatex is planning to Thatcham data by January.

# How Fuji banks on the personal touch

ers," says Yoshiki Takeshima, general manager of Fuji's market risk

sessment division. Fuji's derivatives traders use IBM and Hitachi workstations running price simulation models for yen and dollar interest-rate swaps, futures trading and options developed by programmers in the bank's financial engineering division.

data and traders' simulations of future price movements based on past trading patterns to give a marbank offers to corporate clients for hedging purposes. Takeshima stresses that the models are only guides for traders. Although Fuji also uses some artificial intelligence, it does not let the computers

on the price," he says. Japanese investors still prefer their decisions to be made by a human being, according to Takeshima. Telling investors that advanced technology is calculating the price of a derivative can sometimes actually kill demand for the product.

Takeshima, a 23-year veteran of Fuji, is charged with making sure will never stop," says Takeshima

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# PEOPLE

# Kleinwort Benson poaches from NatWest's investment trust team

Kleinwort Benson Securities stay at NatWest Securities and seas investment trusts. has broken up the top team of stockbrokers covering the UK investment industry by poaching the bulk of the sales and marketing staff of NatWest Securities investment trust

NatWest Securities' Hamish Buchan, the doyen of the investment trust sector said vesterday that the first he knew about it was when ten of his staff announced that they were quitting. He admitted that it was a big blow when a team walked out en masse and was particularly painful because it had coincided with his 50th birthday.

Buchan, who has headed Extel's list of investment trust analysts for all but one of the past 21 years, said yesterday that he and Robin Angus, an equally big figure in investment trust research, intend to

build the sales team. think we have a fairly strong franchise," says Buchan.
It has been known for some

time that Kleinwort Benson Securities has been keen to break into the investment trust sector which is dominated by NatWest Securities, along with Smith New Court and S.G. Warburg, Margins tend to be better than in other parts of the equity business and there is the added bonus of winning big fees on corporate business When Kleinwort Benson launched its heavily over-sub-

scribed European Investment Trust earlier this year it had to part with several million pounds of fees to rival brokers. By having its own investment trust sales team it could prevent this happening again and further its ambitions to become a big player in over-

It is understood that th

team defecting to KB is headed by Robbie Robertson and Roger Hullett and come from the London end of NatWest Securities' investment trust operation. The best investment trust teams use their research analysts to feed their sales force and it is significant that the two best-known analysts at NatWest Securities have not

■ Vicky Sleddon, 27, who has been managing Kleinwort Benson's new £500m European Privatisation Trust, has been poached by Mercury Asset Management to help manage its £575m European Privatisation Trust. The two firms set up their new trusts within a few weeks of each other and to date Mercury has performed slightly better. William Hall

"Ten years ago I was a tank commander based in West Germany. If anyone had told me that a decade later I would be swapping vodka toasts with Russian tax officials in St Petersburg, I would have said they were mad.

Now 36, Stuart Leasor (above) hops round east Europe, helping governments spend European Union grants on public relations campaigns to persuade recalcitrant citizens to pay their taxes.

He persuaded the Polish finance ministry that publishing a 100-page guide to the new tax laws for every household was not a great idea - Poland ended up gathering 7 per cent more VAT than it had hoped for; saved 450,000 Ecus by running a successful Bulgarian VAT pr campaign rather more cheaply than anyone imagined possible; and has made sure that all 89 oblasts in Russia now have a tax information

pects are good. He must - he's

■ Julian Rivers has been appointed commercial development director of

Thorntons. Rosie Hill-Davis, head of programme planning at Carlton, has been appointed to the same job at BSkyB; Tim Riordan, Carlton Television's director of broadcasting, moves to the same job at BSkyB. Vincent O'Brien, head of presentation at BSkyB, is appointed director of broadcasting at LWT.

#### Non-executive directors

■ Joan Bingley, retired company secretary at MAL at CADOGAN MANAGEMENT. ■ Eugene McCarthy at WOODCHESTER INVESTMENTS: Arnaud de Villepin has resigned. ■ Michael Sutton, a director of Singer & Friedlander, at

CREIGHTONS NATURALLY. ■ Brian Clayton, chairman of Bridon, as chairman at DSRM. in succession to Derek Mate. ■ Graham Lockwood, retired deputy chairman and group actuary of Eagle Star, at LONDON AND MANCHESTER GROUP. Lord Douro, deputy

chairman of Vendome Luxury Group, as chairman of FRAMLINGTON GROUP in succession to Mark St Giles who remains on the board. Ian Lindsey, a director of Save & Prosper and a member of the Royal Air Force Volunteer Reserve who spent two months assisting public relations in the Gulf war, at NAAFI.

■ John Parnaby, md of the electronics systems businesses in Lucas Industries and chairman of the government's LINK r&d committee, at SCOTTISH POWER Ross Marks has resigned from ROSS GROUP. ■ Brian Cooper at

SILENTNIGHT HOLDINGS.



**HSBC's Dick Peterson** 

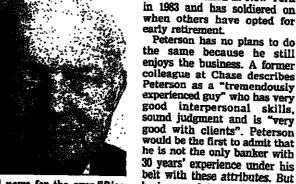


Dick Peterson, a 59-year-old ex-Chase Manhattan banker, has iust been appointed chief executive of HSBC Holdings' New York corporate banking busi-

In an industry which sometimes seems to worship youth, Peterson has survived longer than many of his contemporaries. He worked for Chase in Los Angeles, London and New York, and joined Midland Bank in 1983 at the behest of Herb Jacobi, another ex-Chase

Although Midland Bank's US ambitions were cut short by its disastrous acquisition of California's Crocker Bank, and Midland was itself acquired by HSBC in 1992, Peterson opened

Midland's branch in New York in 1983 and has soldiered on when others have opted for early retirement Peterson has no plans to do the same because he still



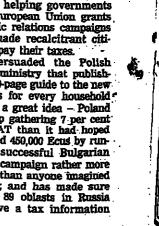
good with clients". Peterson would be the first to admit that he is not the only banker with 30 years' experience under his belt with these attributes. But he is one of the last to be still climbing the promotion ladder. His new job involves integrating the New York corporate banking businesses of Midland

new unit called HSBC Corporate Banking. It will work closely with HSBC's Marine Midland Bank. William Hall ■ Richard Kellett-Clarke has been appointed md of AFP-EXTEL NEWS, the joint venture between Agence France-Presse and Extel

and the Hongkong and Shang-

hai Banking Corporation into a

Financial, part of the FT. ■ Albert Stocker, formerly an md at Swiss Bank Corporation. has been appointed head of **EUROPEAN CAPITAL'S** project finance department



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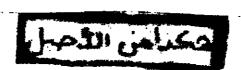
office. His small pr firm - Woodstock Leasor, formed with Sarah Tubbs, formerly of Dewe Rogerson - now has people working throughout east Europe; clearly he thinks prosplanning to marry a Kazakh working in Kiev. Gary Mead

PENTOS; he is succeeded as marketing director of Dillons by Stephen Dunn, formerly marketing director of

John Curtis, formerly md of Initial Supplies, has been appointed md of RELIANCE SECURITY SERVICES.







Concert

Maazel

and the

Bavarians

series. It invites questions. The latest visitor to

the Barbican was the Bavarian

Radio Symphony Orchestra with its music director since

last year, Lorin Maazel. The

orchestra is well-known from its recordings with two earlier

directors, Rafael Kubelik and

Sir Colin Davis, as well as its

radio concerts broadcast in

Maazel offered two monu-

mental symphonies as calling cards, Mahler's Ninth on Sun-

day evening and Bruckner's

Righth on Monday. Mazzel is certainly a vivid conductor – some would say a bit a flashy.

It is hard to ignore his balletic

manner on the rostrum, which veers between elegant noncha-

lance and a limp wrist at one

extreme, and exaggerated

miming of the expressive

effect he wants to achieve at

the other. But he certainly got

He had the strings seated in

a different arrangement from

usual, with the violas to his

right, cellos facing the audi-

ence, and second violins

behind the firsts on his left.

This produced a good balance and it dramatised the contri-

bution of the violas as well as

allowing the cellos a more

direct impact. All the strings played marvellously; the vio-

lins were warm and silky in

the unfolding sighs of Mah-

ler's first movement and

superbly controlled, without any ragged attacks or frayed

endings in the long, fading

farewells of the fourth move-

In the two middle move-ments the woodwind players enjoyed themselves visibly as

well as audibly, smiling glee-fully when the E flat clarinet

squealed wildly in the Rondo-

Burleske. For all that, the

sound as a whole was perhaps

too healthy and plump to be

quite as sardonic as Mahler

intended, and he might have

wanted the second movement

Ländler to be more clod-hop-

ping and uncouth. Still, as a

whole, it was a really commit-

Britain by the BBC.

reat Orchestras of the World is a bold

title for a concert

on a system

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pairs easier

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# Cinema/Nigel Andrews

# Yin and Yang of festivals

THE NIGHTMARE BEFORE CHRISTMAS (PG) Henry Selick

> DEAR DIARY (15) Nanni Moretti

STRAWBERRY AND CHOCOLATE (18) Tomas Gutierrez Alea and Juan Carlos Tabio

I LOVE TROUBLE (PG) Charles Shyer

A GOOD MAN IN AFRICA (15)Bruce Beresford

he Nightmare Before Christmas fills us with terror. Not because it is frightening but because it is so good. Watching it. all our delicate preconceptions about popular movie-making start sliding around like tables on a swell-tossed ocean liner.

We thought that Hollywood never extended itself in the cause of sophisticated anarchy. We also thought that it never fashioned feature-length animated films that catered for adults as much as for children. But this puppet phantasmagoria, with its stop-motion figures and crazed settings plundered from German Expressionism, should delight the over-forties as well as under-fourteens

We start in Halloweentown, where the rocky landscape is combed and curled like a frozen seascape and where strange-shaped houses (a witches' hat, an octopus) disburse stranger-shaped citizens. The Mayor has a revolving head with two faces: one for beaming at the electorate. one for gnashing covert teeth. The local Mad Scientist is part human, part cyber-duck. And our hero, accompanied by a ghostly flying dog who seems made from origami, is a long-legged, wire-thin dandy called Jack. (Short for Giacometti?)

He is the Pumpkin King. But bored with Halloween, he wanders into the woods one day, stumbles down an Alice-like tunnel and discovers Christmastown. Snow! Colour! Good cheer! He sings a song -the best in the movie, called "What's

won't take my shoes off, don't worry," says the eponymous heroine of That Woman, a new com-

edy by John Antrobus. "I don't

Is this funny? In itself, not

particularly. With that superb

character actress Patricia

ter she plays - an old eccentric

young Jack's flat, and any-

where else, for a cuppa and

biscuits - is the kind of role we

seem to have seen Hayes play

a hundred times, and yet there

Haves's voice still ranges so

easily from chest to head

tones, from urgency to tremu-

lousness, and her diction is so

good, that by the time she has

got to the juicy word "familiar-

ity", slowly savoured, she has

That Woman is being pres-

ented upstairs in Riverside's

Studio 3 as if its actors were

delivering a BBC radio play,

scripts in hand: which is a

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The Magic Flute: by Mozart.

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La Dame de Pique: opera by

La Khovantchina: opera by

us in the palm of her hand.

I cannot remember when I last heard the sound of happy, frequent laughter at a Monday morning press show. But a film like this rejuvenates everyone. If we thought that Tim Burton, the producer and original story writer, had grown old with success after Batman, here he is returning to the firefly-bright mis-chiefs of *Beetlejuice*. And director Henry Selick marshalls an animation and special effects crew who must have been high and wild on overtiredness. (A week's work in stop-motion produces about ten sec-

ine merriment at the expense of regi-mented merriment. Christmas is morgue) to the scene in which a Santa Claus sleigh is unceremoni-

Anarchic? No doubt. Mean-spirited? Never. The film pushes on, via songs, farce and decorative delirium. to an ending in which Christmas and Halloween are both allowed their pre-eminent places as the great Yin and Yang - or Jekyll and Hyde - of human festivals.

he week gets better. from the Italian performer/filmmaker - here playing himself - who makes Woody Allen seem a well-adjusted extrovert.

lankshanks who might have strayed from an El Greco painting, vrooms around Rome on his Vespa, voice-overing his thoughts on life, love and cinema. He lists favourite films (Flashdance) and unfavourite ones (Henry: Portrail Of A Serial Killer);

report his delight at finding a new market for trick-or-treatism.

eat their Christmas trees.

onds of film).

Nightmare is 76 minutes of genumocked, battered and assaulted: from the Halloweentowners' atonal rendition of "Jingle Bells" (sounding like Schoenberg performed in a ously blown from the night sky by

I shall reveal no more: or only to say that Santa Claus might be captured by the Halloweentowners; that Pumpkin Jack might take over his beard, red coat and reindeers; and that Christmastown will almost cer-tainly call out the police when shrunken heads start falling down their chimneys and giant toy snakes

anti-reindeer guns.

Nanni Moretti's *Dear* Diary is bliss in three parts: an episodic, sumptuously paranoid comedy In part one our hero, a bearded

everyday frustration and disappoint-Strawberry And Chocolate is a Cuban film about being gay: which earns it points for political nerve to add to those it can claim as a deft comedy of AC/DC manners. Straight David fantasises revenge scenarios on

Theate/Alastair Macaulay

winds of comic happenstance. One

running gag concerns a friend

calls intended for adults.

Trick-or-treatism in Christmastown: one of Jack's 'gifts' swallows the festive tree in "The Nightmare before Christmas' (Vladimir Cruz) meets gay Diego film critics; he sobers up for a visit to Pasolini's death-place. (Jorge Perugorria). Diego introduces In part two he walks among the David to the sensual delight of Aeolian Islands; where like the hom-onymous harp he is "played" by the Scotch whisky, opera records and unselfishly - his man-hungry neigh-

addicted to TV soaps; another (inspired) takes off from the simple Between-whiles the two men chatter about art, politics and homosexnotion of children answering phone uality. When the director, that veteran movie guerrilla Tomas Gutierrez Alea (Memories Of Under-In part three he becomes a medical guinea pig, as a chronically mis-diagdevelopment), fell ill with cancer, Juan Carlos Tabio completed the nosed skin itch turns out to be cancer. (He has since recovered.) Here and throughout, Moretti has the film. But you cannot see the joins. Senel Paz's screenplay is seamlessly sly and well-observed. And Havana courage to let jokes grow unforced. They become coloured with all the itself winds around the cast like irony of quotidian calamity and texsome rococo, affectionate ghost, or tured with all the rueful hilarity of one of those playfully omnivorous snakes in The Nightmare Before

Christmas.

and with shell-shocked look.

bour Nancy. David responds slowly

A large snake should have been let loose on both I Love Trouble and A Good Man In Africa. The first is a stuttering Julia Roberts/Nick Nolte comedy thriller set in the Chicago newspaper world: a place where long

raincoats and flying pencils do not automatically turn you into Cary Grant and Rosalind Russell (though a good script might help).

هكذامن الأحبل

The second film is based on William Boyd's colonialism-spoofing novel. A Good Man In Africa which surely had some wit on the printed page - has been turned into something resembling a village thea-tricals version of Waugh's Black Mischief. The village in question, though, is

the Global Village, America's John Lithgow essays the frightfully British ambassador, Sir Arthur Fan-shawe. Australia's Colin Friels attempts the frightfully English junior diplomat Morgan Leafy. And another Australian, Bruce Beresford, fairly frightfully directs.

One moment we are in "Carry on up the cleavage" vein, with Morgan losing his cool and his trousers to every eligible female in view (Joanne Whalley-Kilmer, Diana Rigg). The next moment we are wondering how to deal with the film's

one real human being who keeps wandering across the screen. He is Sean Connery as the titular good man, a doctor refusing to be corrupted by African political sleaze.

Connery's presence is so majestic that he exposes aesthetic fraud or triviality merely by standing next to it. The makers of this film should have left the gate open for him to escape the lot on day one. That way their al fresco children's party could have continued without the one reproving adult.

Connery has already escaped the Highlander saga. Only Christopher Lambert is left heaving the claymores in the tired and excruciating H3 (15, Andy Morahan). Why not see instead The Seven Samurai, Kurosa-wa's classic swashbuckler revived. Or - it is a busy week - you could catch a small but almost perfectly formed Hong Kong film at the ICA, Days of Running Wild (15). Hope,

despair and comedy in the 1960s, caught on the wing by director

ted involving performance. Bruckner's Eighth Symphony on Monday evening was even finer, and gave no cause for questions about character. The warmth of the woodwind, with notable rapport between principal flute and clarinet, a hree centuries ago the Stationers' Hall, around the corner tive performances of Purcell's ferent numbers, whilst giving beautifully focused oboe, the beefy and absolutely reliable brass - all were a joy. And again, those marvellous strings remained disciplined. strong and ardent in the sever-

est test of their stamina. The eighth has darker, more sinister shadows than Bruckner's preceding symphonies, and its sense of uplift is achieved through sometimes painful dissonances; yet they are rendered as objective natural forces by the immense spa-ciousness of the design and Bruckner's characteristically abrupt juxtaposition of material. Maazel, conducting from memory, steered with a totally satisfying sense of pace. The work lasted more than ninety minutes yet it never felt protracted: the audience sat rapt. The Bavarians certainly earned their place in this

Adrian Jack

# That Woman: a tour de force

Hayes, however, it is the first great hoot of a memorably hilarious evening. The characcharming way of ensuring that Hayes herself, who alone seems in need of a script, need not undergo the old actor's nightmare of forgetting her who keeps inviting herself into lines. Indeed, since That Woman began as a pair of radio plays, How I Met Franz and Rats, little camouflage is involved. Antrobus's writing is a peris not a jot of staleness in it. fect vehicle for Hayes's gift for creating monstrous bizarrerie

out of her harmless-old-crone facade. (Would that we could hear again the tremendous Sarah Gamp she once created in Radio 4's Martin Chuzzlewit.) Her obsession here is that she has been the sexual plaything of the medical profession. By the time she has got to "I don't know when I last had a stethoscope on my

chest," convulsions are occurring all round the audience. Yet the role has its pathos ("I want to talk to someone"), and eventually its bizarrerie goes beyond humour into purest fantasy. In the second half, she sets

to work on a police inspector. She offers herself as a material witness, but she wants also (a) tea and biscuits, and a proper meal if poss. (b) seduction ("Out comes the truncheon" spoken with fabulous lasciviousness). Yet her behaviour in the police station is more normal than the story she has to narrate. She tells of her passionate affair with her late lamented: "I was Josephine to his Napoleon, Emma Thomson to his Kenneth Banner" (sic). The late lamented's wife had

"She wouldn't let him express himself in oils." But her he painted: "Let yourself go into a pose of the southern seas,' he said." What had she to offer him? "Unendurable pleasure indefinitely prolonged."
I would like to take Hayes's utterance of that last line to a

repressed his artistic talent:

desert island. But, then, she is uproarious in her myriad different ways of saying "Yes, dear," all of them loaded. And she is perfectly complimented by Brian Murphy and Peter Woodward, Murphy, a wonderful study in working-class perturbation is a fine comic actor who is the more funny for giving every attention to Hayes and his co-actors; Woodward, with his striking presence, anchors the first half by playing the innocent deadpan dupe to this aged visitation. Philip Grout directs. On press night, the cast seemed scarcely able to suppress their own giggles. And we who watched gave our laughter full vent.

At the Riverside Studios. W6.

# St Cecilia's Day celebrated

Maria Lane, used to promote celebrations of St. Cecilia's Day - November 22 - with music and banqueting. A stained glass window in their fine 17th-century hall depicts that patron saint of music.

A few years back some stationer, or anyhow some member of The Worshipful Company of Stationers and Newspaper Makers, must have remembered the old custom. Since 1992 there have been St. Cecilia-Tide concerts again, with banquets; next year there will be a five-day mini-festival (sponsored by the FT, as it happens). These days, the obvious

thing to put into a 17th-century hall is a period-instrument band. The Stationers' Hall has the Fiori Musicali, a baroque ensemble (with chorus) founded by their conductor

from St. Paul's in Ave funeral Music for Queen Mary, faria Lane, used to promote and Bach's Magnificat in D and his A minor concerto for violin. The soloist in the latter was

their leader Peter Fender: prop-

erly a primus inter pares, not a commanding voice (baroque violin-technique hardly permits of domineering brilliance), but notably subtle in his florid Andante excursions. In the great Funeral Music the preludial and concluding marches and canzonas went to sackbuts and "flatt trumpets". with processing mourningdrums, to imposing effect, and the chorus enunciated the "Funeral Sentences" – early Purcell anthems, in fact:

nobody knows whether they were part of the original package - with lucid eloquence. Later, we admired Dr Rapson's unhesitating dispatch in the Bach Magnificat. It empha-

performances, then Phillipe Auguin.

Mixed Programme: Includes the

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Ashley Page, and Symphony in C by

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7.30 pm; Nov 25, 29; Dec 2, 5

New Clarke Ballet, Fearful Symmetries choreographed by

Balanchine at 7.30 pm; Dec 1

Bizet, choreographed by George

The Sleeping Beauty: a new production of Tchalkovsky's ballet

Produced by Anthony Dowell, set

pm; Nov 26 (2 pm); Dec 3 (2 pm)

designed by Marla Bjornson at 7.30

full value to their differences in weight, colour and address (public v. private). Her tempi were generally quick, vital and nicely braced; her solo singers rose confidently to all their Kate Eckersley was a poised,

intelligent soprano, but the stand-out number was the "Et misericordia" duet for countertenor and tenor (Nicholas Clapton and Nicholas Hurndall Smith). Together, their contrasted timbres - the one reedy, cultured and elevated, the other warm and slightly baritonal - made a magical amalgam, strange but quite beautiful.

#### **David Murray**

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at 8 pm; Nov 26, 29; Dec 3

WORLD SERVICE

870 5570 The Nutcracker: by Tchaikovsky performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)

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**GALLERIES** 

Phillips Collection Tel:(202) 387 2151<sup>-</sup>

members of the New York School; to Jan 2 OPERA/BALLET

Kennedy Centre Tel: (202) 467

Washington Opera Tel:(202) 416 Faust: by Gounod. Director, Ellen

Douglas Schlaefer, conductor, Richard Bradshaw. Faust played by Jianyi Zhang. In French with English surtitles, at 7 pm; Nov 26

#### received in western Europe on Medium Wave 648 kHZ (463m)

#### AND SATELLITE BUSINESS TV (Central European Time)

MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

Reports 1230.

TUESDAY Euronews: FT Reports

NBC/Super Channel: FT Reports 1230

0230, 2030

# Soltesz at 7 pm; Nov 26 (6 pm), 30

PARIS

OPERA/BALLET

21/47 20 08 24

**BERLIN** 

OPERA/BALLET

Dec 3, 4

OPERA/BALLET Oper Der Stadt Tel: (228) 7281  If Guarany: by Antonio Gomes, in lian with German surtitles. Conductor John Neschling, production by Werner Herzog at 8 om: Nov 30

La Fanciulla del West: by Puccini, in Italian with German surtitles. Conductor Eugene Kohn, production by Gian-Carlo del Monaco at 7 pm;

Dec 2 (8 pm)

■ La Traviata: by Verdi. A new production conducted by Eugene Kohn, with production by Jürgen Rose, In Italian with German surtitles at 8 pm; Nov 26 (7 pm); Dec 4 (7

pm)

The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced and choreographed by Youri Várnos, conductor Michel Sasson at 7 pm; Nov 27; Dec 1 (8

■ ROME

THEATRE Teatro Dell' Opera Tel: (06) 481601

■ L'Arlesiana: by Bizet at 7 pm; Nov 25, 26, 27

8345 Bernard Haitink: conducts the Concertgebouw orchestra with soloists Charlotte Margiono and Jard van Nes to perform Mahler at 8.15 pm; Nov 24

**AMSTERDAM** CONCERTS Het Concertgebouw Tel: (020) 671

GALLERIES Rijksmuseum Tel: 020 673 21 21 Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; from Nov 26 to Feb 26 (Not Sun)

OPERA/BALLET Het Muziektheater Tel:(020)551 89

 Rosa: new production of the opera by Andriessen. Directed by Peter Greenaway at 8 pm: Nov 25,

**■ LONDON** 

CONCERTS Barbican Tel: (071) 638 8891 Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Home and conducted by Marvin Hamlish, Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1 Grand Operatic Evening: National

Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm: Dec 3 Mozart: Idomeneo: Sir Colin

Symphony Orchestra at 7 pm; Nov

Davis conducts the London

stival Hall Tel: (071) 928 8800 Russia Old and New: Royal Philharmonic Orchestra with the Brighton Festival Chorus, London Choral Society and conductor Vladimir Ashkenazy perform Schnittke, Prokofiev and Rachmaninov at 7.30 pm; Dec 5 Garrick Tel: (071) 494 5085 Koninklijk Concertgebouworkest:

Beethoven, Bartok and Kodály at 2.30 p.m.; Nov 26, 29; Dec 2 GALLERIES Barbican Tel: (071) 638 8891 A Bitter Truth: a multi-media exploration of changes in attitudes towards World War 1 throughout its

with pianist Evgeny Kissin and conducted by Sir Georg Solti, play

duration; to Dec 11 Hayward Tel: (071) 261 0127 Romantic Spirit in German Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8 National Gallery Tel:(071)839 3321 Allegory: selection of paintings from the permanent collection on

the theme of allegory; to Dec 4 (Not Royal Academy Tel:(071) 439 7438 The Glory of Venice: a major survey of Venetian art in the 18th century: to Dec 14 OPERA/BALLET

Barbican Tel: (071) 638 8891 The Kirov Opera: director Valery Gergiev brings his entire company to the UK for just one night to give the first complete British performance of Rimsky-Korsakov's opera, The Legend of the Invisible City of Kitezh

at 7 pm; Nov 28 English National Opera Tel: (071) 632 8300 Anadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm;

Nov 25; Dec 1 Khovanshchina: new production of Mussorgsky's opera. Director Francesea Zambello at 6.30 pm; Nov 24, 30; Dec 3 Royal Opera House Tel: 071 240

1200

 An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with a short festival of his work consisting of 12 hallets and divertissements. Performance includes a new production of Daphnis and Chioë by Ravel at 7.30 pm; Nov 28, 30

La Traviata: by Verdi. A new

Solti conducts for the first five

production by Richard Eyre. Georg

Glelgud Tel: (071) 494 5065 Hamlet: by Shakespeare.
 Directed by Peter Hall, designed by Lucy Hall. With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun) National, Olivier Tel: (071) 928 2252 The Seaguli: by Chekhov, in a

new version by Pam Gems. Sat mat

at 2pm at 7.15 pm; Nov 24, 25, 26

■ NEW YORK **GALLERIES** 

THEATRE

Museum of Modern Art Tel: (212) 708 9480 ● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to

Jan 24 OPERA/BALLET Metropolitan Tei: (212) 362 6000 Don Giovanni: by Mozart, sung in Italian at 8 pm; Nov 25, 28; Dec 2 Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 26, 30;

Dec 3 Madama Butterfly: by Puccini at 8 pm; Dec 1, 5 Rigoletto: Italian opera by Verdi

at 8 pm; to Dec 4

Los Angeles Philharmonic: Conducted by Esa-Pekka Salonen, with pianist Offie Mustonen play Lutoslawski, Ravel and Sibelius at 5 pm; Nov 26

 Pictographs of Adolph Gottlieb: exhibition of one of the founding

 Le Nozze di Figaro: by Mozart sung in Italian with English sur-titles at 8 pm; Nov 25, 27

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# Bell ringers for a bright future



The Bell Curve deserves attention not because it revives dubious claims about large ethnic differences

REVIEW in intelligence, but because it makes a plausible case that individual brain power or "cognitive ability" is a far more important determinant of economic and social success than hitherto recognised. This is a big idea" that, if correct, is likely to exert considerable influence on public policy in coming decades. Sceptics should note that Charles Murray, an early critic of welfare spending, has unusually sensitive intellectual antennae

Murray and his co-author. the late Richard Herrnstein, a Harvard psychologist, argue that variations in IQ help explain many puzzling social phenomena. They believe incomes are growing more unequal, even for people with similar qualifications, in part because economic competition is forcing employers to reward personal productivity, which depends largely on IQ.

Low intelligence, meanwhile, appears to be closely correlated with nearly all social problems, including poverty, illegitimate hirths school drop-outs welfare dependency, divorce and the proportion of American whites below the poverty line is 30 per cent for the "very duli" (ÎQs below 75) against 2 per cent for the "very bright" (IQs above 125).

The point the authors drive home repeatedly is that IQ has become a much more important determinant of an individual's life chances than the socio-economic class of the parents - the factor that most researchers tend to emphasise. Thus a bright child from a poor background has a much better chance of graduating from college than a dull child

from a privileged background. Intelligence was once fairly evenly distributed throughout society; most high IQ individuals were neither well-educated nor rich because arbitrary economic and social barriers prevented their advancement. Ironically, say Murray and Herrnstein, progress toward the liberal goal of genuine

THE BELL CURVE: Intelligence and Class

Structure in American Life By Richard Herrnstein and Charles Murray The Free Press. 845 pages, £25/830

equality of opportunity is causing a pernicious new form of social stratification - an aristocracy of the intellect. To a far greater extent than before, the very bright are monopolising elite universities and hogging the best jobs in "high IQ" fields, such as investment banking, law, medicine and the higher reaches of public policy, academia and the media. These meritocrats tend to be segregated from the rest of society financially, culturally and even physically (via private security

You may object that this puts a ridiculous emphasis on IQ: surely many other qualities such as perseverance, integrity and sociability also influence personal performance. The authors dub this the "compensating skills fallacy": these other qualities are important but people with high IQs are no less likely to possess them than the less able, they say. Superior cognitive ability thus becomes the determining advantage; hence its power as

a predictor of performance. The book invites criticism on many grounds. The argument about social stratification by IQ, for example, is supported mainly by anecdotal evidence: the authors do not establish a strong statistical correlation between IQ and earnings.

And since the authors believe such stratification could undermine civil society. it is curious that they urge a shift of educational resources towards gifted children; their analysis surely suggests that it is the less able who need more help. The notion that low IQ is the most important cause of social problems also sits oddly with the experience of the past 30 years: crime, welfare dependency and illegitimacy have mushroomed, yet measured IQ has risen over this period, especially at the bottom end.

More controversial is their incendiary claim that the gap between the average IQ of US whites and blacks is not only large but unlikely to contract

Kenneth Clarke, seems to have been born under a lucky star. For it is difficult to remember when the economic and budgetary outlook seemed better or when mainstream economists have looked more much in the foreseeable future. uncomfortable. The real hero They need this finding to jusof the hour is, however, our old friend "self-correcting ecotify their impassioned critique of "affirmative action" policies nomic forces" to help minorities. If you allow for ethnic differences in IQ.

they claim, many of the alleged

signs of discrimination against

blacks disappear or are

reversed. Holding IQ constant,

blacks earn nearly as much as

whites and are more likely to

graduate from college and

enter elite professions. Blacks

only seem to be discriminated

against because, as a group.

admit that environmental fac-

tors account for 40-60 per cent

of differences in IQ. Blacks are

certainly less socio-economi-cally privileged than whites, so

a substantial (but maybe tem-

porary) measured IQ differen-

fuzzy concept: the authors note

that average IQs may have risen as much as 15 points in

just two generations (a phe-

nomenon known as the

"Flynn" effect). The only credi-

ble explanation is an improved

environment: for example bet-

ter education and nutrition,

especially for the poor. Again the implication is that black

and white IQs will tend to con-

verge as environmental differ-

ences are reduced - a trend

perhaps already evident in

school test results. In the long

run, colour-blind social policies

are desirable: individuals

should be judged as individu-

als, not as members of ethnic

groups. But if IQ differentials

mainly reflect disparities in

environment rather than

innate differences, short-term

biases in favour of certain

The authors deserve great

credit for attempting to smash

what has become a ridiculous

taboo on open discussion of IQ

differences - and for making a

complex argument lucid. They

may be exaggerating the signif-

icance of IQ, but we will not

know for sure until other

researchers follow their lead

into forbidden territory. My

guess is that The Bell Curve

will trigger an avalanche of

research into the social and

economic consequences of IQ

groups are not so illogical.

Moreover IQ is itself a rather

al is to be expected

Yet Murray and Herrnstein

they have low IQs.

The new National Institute Economic Review is disarmingly frank about how conventional expectations have been confounded:

he UK chancellor,

• The rate of increase of wages and prices has remained low despite the 1992 post-ERM devaluation. • The current balance of pay-

ments has improved despite a recovery in domestic demand faster in the UK than in its main trading partners. Indeed, as cautious an economist as Andrew Sentance asks in the rival London Business Economic Outlook: "Is the UK current account moving into surplus?" It probably is in surplus aiready if overseas assets are valued properly.

 Consumer spending continues to rise despite the tax increases announced in two 1993 Budgets, some of which have still to come into effect. Unemployment continues to fall despite the earlier convenview that resumed economic growth would not make a dent in it.

The NIESR cautions us against assuming another ecointeresting reasons. It suggests that the pressure of demand in both goods and labour markets "may have a more marked effect on wage and price setting than we had realised". You can say that again. The improvement in trade perfor-mance is rightly said to date back to the 1980s. But the recent narrowing of the trade gap has taken place despite favourable movements in the terms of trade - the opposite of

after devaluation. Cynical readers should note that it is not the tradition of political economy from Adam Smith onwards that has been discomforted: nor has the subsequent analysis of the main causes of both market and government failure. The discomfort has been felt at two extremes – the mainstream short-term economic modellers and those who believe financial markets are always right. If the economic prospect is

what is supposed to happen

good, the budgetary outlook is Michael Prowse | shorthand for brilliant). It is

# ECONOMIC VIEWPOINT

# The outlook for the Budget is 'brill'

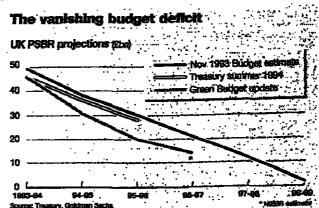
By Samuel Brittan

only a year and a half ago that the £50bn UK public sector borrowing requirement, originally estimated for 1993-94, was the one economic number everybody knew. Indeed, it was thrown at one by the most surprising people and quite often soon followed by demands that more should be done to stimulate the economy.

The £50bn figure always seemed an exaggeration, and has now been revised down to £46bn. The Treasury projection of a contracting deficit all but disappearing near the end of decade was almost univer sally derided. Yet the latest projections show the deficit has been contracting ahead of schedule. Borrowing in 1994-95 is turning out at little more than £30bn, and at £20bn in 1995-96, according to updated Green Budget projections.

Goldman Sachs, which originally made the projections for the Green Budget in October, has since revised downwards £8bn its projection of next year's public sector spending. For it now believes that the chancellor will try to get the full benefits of lower-than-expected inflation in a cut of E6bn in the public spending control total and that there will be further savings in cyclical social security spending and in debt interest We can then expect a learned

and inconclusive debate about whether the chancellor has tightened fiscal policy and can thus afford to pause before raising interest rates again, or whether the Exchequer finances are simply benefiting from the economic upturn. Hoare Govett has made an illuminating analysis of the improvements in the fiscal outlook over the three years between 1993 and 1996, estimated at 4% percentage points of gross domestic product. Business cycle factors are said to account for 21/2 percentage points, pre-announced tax increases for 2% points and further 1% points. Falling asset



opposite direction. The point, however, is that tighter fiscal policies are *already* in place. The chancellor will mainly allow events to take their course and introduce a so-called neutral Budget.

Much past experience, from

President Lyndon Johnson's 1960s tax increase to pay for the Vietnam war onwards, has suggested that fiscal tightening whatever its other virtues does little on its own to slow down a rapidly expanding economy The NTRSR estimate of an increase in non-oil GDP of 3 per cent in 1994 may not have adequately taken into account the very recent upward revision in the income estimates. Some 3¼ per cent is a more likely guess - well above the most optimistic estimates of the trend growth of output. Now that the capacity gap looks near to closing, a slowdown will be necessary.

The argument from growth and capacity estimates is clinched by the signs that business is looking for an opportunity to pass on in higher prices the increase in costs in compo the pipeline. The rapid and unforeseen revival of nearly all other economies, including the continental European ones. will add to demand pressures in the UK, as will the rise in investment taking place despite the third-quarter blip.

The interrelated problems which non-inflationary growth on its own will not solve are structural unemployment and widening pay differentials. The most important aspect of the Budget - one which financiers are bad at judging - is what Clarke does to improve work incentives. Improvements have to be made both in the incen-

Year on year change

the dole and for employers to offer jobs to less skilled workers. These problems were analysed by Stephanie Flanders in esterday's FT. The distincions that need to be made are between kick-start changes, such as relieving newly employed workers from National insurance and/or income tax for a limited period and more permanent top-up payments which continue as iong as needed.

Meanwhile the puzzle remains why the economic upturn still leaves so much of the electorate in such a sour mood. A brave attempt at an answer has been made by Peter Spencer and John Curtice in a Kleinwort Benson paper. They themselves identify the missing ingredients as the absence of increases in working hours normally experienced at this stage of recov-ery, saying that higher demand has been met from productiv-ity instead. They believe this absence makes workers insecure about their jobs.

t is a brave try, but unconvincing and old-fashioned Paid overtime is largely a blue collar phenomenon. Fears over iob security are felt much more widely among white collar and ional workers. There is, however, a traditional type of economic explanation to hand This is that real disposable income has been under pres sure for several years. It stagnated during the recession and has now fallen again, agamst a long-term upward trend of 2.7

per cent per annum income is partly the mirror image of the shift of resources into exports and investment for which economists have been crying out for decades But it is also a mirror image of the increase in the tax burden imposed to improve government finances. Consumer spending is still doing pretty well, but at the expense of a steeply failing savings ratio. vhich averaged 12% per cent in 1992-93 and is expected by the NIESSR to fall to 8% per cent next year.

Increased spending financed from reduced saving no doubt does not feel as good as higher real post-tax incomes. But there are clearly more deep-seated factors, such as the trend away from "jobs for life" which is being experienced in ali countries. Solutions will not be found in traditional party which imply that all change



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#### Plan offers no renaissance for Florence

The squeeze on personal income

UK real personal disposable income (% change)

From Eva Buiatti.

"David and the car Goliath" (October 31) on the new urban plan for Florence, with great different view on a number of

First, the Franchini-Vittorini urban plan is not based on "mixed development" principles. For instance, the 1.86m square metre Fondiaria area very large by our standards and currently empty - will be become an extended dormitory containing 2.2m cubic metres of new buildings. Originally, a large park was planned here, in a town in which open and

Second, the so-called Fiat-Novoli plan has been made possi ble by the demolition of the Fiat factory – again, this is at odds with the mixed develop-

solution in terms of streets. ment concept. Further, the Fiat-Novoli proj-

ect offers no solution to the traffic and mobility problem, while it adds thousands of inhabitants - plus cars - to a heavily polluted area. A total of 6m cubic metres of new buildings, mostly apartments/ houses, are planned in a town where the population is falling and where the population is falling and where there are 18,000

public transportation, even underground car parking. And there is bad news for tourists the Michelucci-designed railway station is to be demolished and replaced by the badly served Campo di Marte station on the periphery. Nobody com-ing into Florence by train will again have the cupola by Brunelleschi as their first view of

the city. The plan will cause disruption for 10 to 15 years. Why? Because the Florence administration accepted in the plan the Italian Railways high-speed

green spaces are as precious as | Florence is strangled by traf- | project. This will cost some cent of train passengers to save 20 minutes on the Florence to Rome journey and 40 minutes between Milan and

It is hard to believe that Florence will achieve a second renaissance as a result of Dr Franchini's project. Many intellectuals, environmentalists, political groups in the town council, and many citizens, oppose it.

Eva Bulatti, "Lavori in Corso" town council

### Solvency of pensions is a decision for government

Sir, Norma Cohen's article,

"Actuaries attack plan on pen-sion solvency standards" (November 18), and Lex ("Sol-21) refer to the proposed minimum solvency requirement (MSR) which will be introduced in this year's pensions bill. The articles rightly iden-tify a debate which has gone on since the Goode Committee published its report, on the basis for the MSR and, in particular, the extent to which equity returns are reflected

The fundamental issue at stake is the choice between two definitions of a minimum solvency requirement. One is an MSR which provides a very high degree of security for the members' benefits covered. This implies a relatively high proportion of gilts and, for some schemes, could have potentially costly implications. as in a significant number of cases they will need either to High Holborn, increase funding targets or London WCIV 7QJ

adjust the investment strategy which they would otherwise have followed, or both.

The other is an MSR which includes a more significant equity element. This will cause fewer problems for schemes, but somewhat less certainty about the benefits being secured for the members has to be accepted.

It is about this choice that there has been so much debate within the actuarial profession. This debate has been lively. but I am glad to say not acrimonious. We have worked closely with the government officials concerned to investigate the alternatives, but in the end we have made it clear that we believe the job of striking the right balance is one for government and not for the actuarial profession. P N Thornton,

chairman pensions board, Institute of Actuaries, Faculty of Actuaries.

#### Cheers for a tight quango

From Mr T W R White. Sir, Re your article, "Labour attacks ministers over spending on wine" (November 21), is Mr Alan Milburn, the Labour MP, a teetotaller?

I am sure the Labour party serves wine at its official gatherings and I would have thought Sir Ewen Fergusson, head of the government hospi-

tality fund advisory committee for the purchase of wine, should be congratulated for providing wine at an average of £5.26 a bottle. He also seems to run a tight quango if it only costs £1,500 a year to run.

T W R White, 48 Somerset Way. Richings Park,

#### Arguments in support of boxing not substantiated

From Dr Fleur Fisher.

Sir, Nigel Spivey's article, Punch drunk and proud" (November 19/20), rehashes the over-used and unsubstantiated arguments in favour of boxing. His view reflects the current attitude of many of boxing's supporters.

With the evidence for chronic and acute damage in professional and amateur boxers increasing by the year, it is difficult for supporters to claim no damage is occurring. Boxing supporters therefore turn to their back-up arguments regarding the benefits of boxing for young boys and to the relative dangers of other sporting activities.

Boxers must be sick and tired of being told that, if they were not boxing, they would be unable to overcome "their disadvantages". The situation for young people in inner cities is of great concern to doctors, but the BMA would recommend improvements in housing, unemployment, education and leisure facilities rather than promoting an activity which

leads to chronic brain injury and life-long suffering. As for comparisons with the dangers of other sports, the data are not beyond question. The one distinguishing feature of boxing is that there are no accidental injuries; each blow is a legitimate and intentional part of the sport. If all the incidences of significant blows to the head were recorded as injuries in boxing, as they are in other sports, the data would

without doubt reveal that box-

ing is a uniquely dangerous activity. Let us hope that the armed forces give this new scientific evidence the respect it deserves, rather than casting it aside in favour of unsubstantiated claims about boxing's character building and disciplining effects. Fleur Fisher,

head of ethics Science and Information British Medical Association, BMA House, Tavistock Square London WCIH 9JP

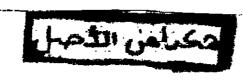
# An offer they could not refuse

Sir, It is not surprising that the Isles of Scilly top the

school league table of 108 local authorities ("Exam results improving, league tables show", November 22), as Scillo-nians enjoyed the benefits of compulsory education years before the mainland. This was

due to the foresight of that benevolent autocrat, Augustus Smith, who charged Scillonians a penny a week for attendance but tuppence if they played truant. Is there a lesson here?

RTD Wilmot, 12 Kylestrome House, Cundy Street, London SW1



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#### FINANCIAL TIMES

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Thursday November 24 1994

# The markets out of sorts

This week's giddy slide on Wall Street, which has precipitated sharp falls in stock markets around the world, was surprising chiefly for its late arrival. US equities have long looked fully valued and their resistance to the pull of rising bond yields over the past 12 months had all the appearance of financial levitation. That impression was reinforced by equity investors' insouciant response to the tightening of US monetary policy since February. Whatever happens in the short run, it is hard to believe that stock prices can return to peak levels in a hurry. The more pressing question is whether the slide will accelerate.

The starting point for any ssessment must be the peculiarity of an economic cycle in which securities markets have been heavily distorted by the efforts of the US Federal Reserve to prevent a debt crisis turning into a credit crunch. The means employed by the Fed to achieve this end was to maintain a steep yield curve: short-term interest rates were kept low for an abnormally long period relative to bond rates. Banks were thereby encouraged to borrow cheaply to invest in higher yielding government IOUs. The resulting profits helped restore their capital base, permitting them to finance the economic

Mutual funds

The strength of the recovery is a measure of the success of the Fed's earlier policy. Yet one important consequence of that policy was that savers removed money from low-yielding bank deposit accounts and certificates of deposits, and put them into bond and equity mutual funds, which offered either a higher income or the prospect of capital growth. By last year the mutual fund industry had acquired \$670bn of equities and \$760bn of bonds, in addition to its money market fund holdings of \$580bn. Together these funds of nearly \$2,000bn were equivalent to about 85 per cent of all US bank deposits, against only

10 per cent in the early 1980s. The bond market collapse which followed the Fed's decision to start tightening policy in February has already caused the flow of money into bond mutual funds to dry up. The flow into equities has so far merely slowed down. Yet the

recent successive rises in US short-term rates point towards lower equity valuations and a shift of mutual fund equity money back into bonds and deposits.

Both in the US and across the world, economic recovery has proved far stronger this year than most forecasters expected. That is one reason why bond markets have worried about resurgent inflation and a rising cost of capital, and why the Fed has been forced to take remedial action. The price to be paid for pre-empting a further outbreak of inflation is a more pedestrian growth rate next year. Corporate profits will inevitably take a knock.

Gloomy story

The best reason for thinking that the present correction is not the end of the gloomy story is the current pattern of returns in the financial markets. The Dow Jones Industrial Average has been yielding less than 3 per cent while twoyear government paper offers well over 7 per cent, and 10-year bonds offer nearly 8 per cent. The inflation-adjusted real rate of interest is exceptionally high by historic standards. Its attractions for investors are bolstered by Fed policy, which the futures markets expect to become tougher still. Meantime money is flowing back into bank deposits. The distortions wrought by the excessive accumulation of debt in the 1980s are beginning to unwind.

The process nonetheless has a long way to go. For the rest of the world's markets, that points to an unstable climate for equities, since they cannot escape some back wash from Wall Street, even if their domestic economies are at an earlier stage in the recovery evels. Yet the fall in prices could still prove beneficial if it helps free a flow of international capital that has been disrupted by the weakness of the dollar.

Having lost billions on dollar bond holdings since the mid-1980s. Japanese investors have been dollar shy. Their absence from US Treasury bonds has contributed to higher real long-term interest rates. The fall in bond and equity prices on Wall Street does at least help restore the competitiveness of US assets by making them look cheaper to international investors, paving the way for the much needed stabilisation of the dollar.

# Allies of circumstance

This week's air raids on Serb positions in Bosnia and Croatia, involving dozens of aircraft from at least four nations, have at least in technical terms been a spectacular demonstration of Nato's ability to marshal and co-ordinate the use of force. It has taken 45 years, billions of dollars, and great firmness of will to refine the procedures by which, for example, US command systems can guide the activities of UK aircraft carriers or Dutch bombers based in Italy.

Yet Nato is getting its first chance to show off these hard-won skills at the very moment when the transatlantic solidarity on which it is based is being questioned on both sides of the ocean. Precisely because Nato succeeded so well in the purpose for which it was formed - facing down the Soviet bloc - it is going through a profound existential crisis, of which the latest arguments over

Bosnia are only a symptom.

The role of aerial policeman in
Bosnia is one that fell into Nato's lap and does not suit the alliance particularly well. It leaves unresolved the longer-term question of what, if anything, the alliance is

In the five years since the Berlin Wall came down, most debate about Nato's future has been couched in euphemistic terms which underestimate the serious ness of the problem. Commenta-tors speak of new models for "burden-sharing" and of Europe "taking more responsibility for its own defence" – as if the general nature of these burdens and responsibilities were perfectly clear, and the only outstanding question was how precisely to allocate them.

Regional challenges

Such clarity of purpose did broadly exist during the Cold War. when the Soviet threat was mani-fested on so many fronts that the common interest in confronting it scarcely needed to be discussed. Today, however, there is no over-riding challenge which simultaneously, and in roughly equal measure, threatens North America, western Europe and Turkey, instead there is a host of regional challenges which affect different countries to a widely differing

For obvious reasons, the possiextent.

bility of an extremist regime in North Africa acquiring ballistic missiles is something that haunts Spain and Italy far more vividly than it troubles Norway or Canada. Non-communist Russia remains an uncomfortable neighbour for Norway, and a tough regional rival for Turkey; but in the absence of any global eastwest confrontation, both Oslo and Ankara are finding it much harder than before to win understanding of these concerns from their Nato partners. And on the issue of whether Nato should expand eastwards - at the risk of upsetting Moscow - there is no clear agreement within any of the leading western capitals, let alone among the alliance as a whole.

Western unity

On the face of things, the Serbs of Croatia have done the western security system a back-handed favour by mounting a series of air attacks which so flagrantly violated UN resolutions that the international community had little choice but to take action. At least for a moment, the Serbs goaded the western allies into rediscovering the unity which they formerly displayed in the face of the Soviet threat, and which had been conspicuously lacking in the previous two weeks of ill-tempered sparring over the

arms embargo. The US, its European allies and even – at least initially – Russia were able to agree on the need to stop future air attacks on the Bosnian enclave of Bihac. But there is no guarantee that this display of unity will be maintained if Serb commanders decide to keep on testing it. Indeed, they may well calculate that sooner or later the strains within the contact group will resurface, and work to their advantage. The very survival of the western security institutions may depend on making sure such

calculations are ill-founded. In any case, the 16 members of Nato should not leave it to the Serbs of Bosnia or Croatia, or any other provocateurs, to provide them with a sense of purpose. To retain credibility, they need to take the initiative in defining more clearly those areas where they still do perceive a common aim, and those where they feel they can afford to differ.

his morning, Japan's stockbrokers will be bracing themselves. As they wait to see how the plunging Tokyo market reacts to the latest collapses in world stock markets, a serious

threat to the brokers' viability is being launched. Japan's leading banks are to open the doors of their own securities

companies for the first time, ushering in the most radical upheaval yet in the country's financial system. While banks such as Sumitomo and Mitsubishi have been running securities operations in foreign markets for years, they have been forbidden to sell stocks or bonds in Japan. But today subsidiaries of the six big retail banks will join those

of a few smaller banks which were

admitted to the securities market

last year. This big step towards universal banking was made possible by changes last year to Article 65 of the Securities Exchange Law. Japan's equivalent of the US Glass-Steagall act, which prevented banks from undertaking brokerage activ-

The catalyst for the change was the move by companies towards issuing bonds, rather than borrowing from banks, as a way of raising finance. As a result, banks began pushing the Ministry of Finance to allow them a slice of the bond-

Aware of the damage that this would cause to existing brokers, the ministry decided to limit the banks' subsidiaries, initially, to bond

underwriting and sales. Though the banks are not yet permitted to compete with the brokers in their core business of equity trading, the competition for bond business will hurt their rivals. So far this year, the subsidiaries of the smaller long-term credit banks have taken nearly 10 per cent of the bond issuance market, and the larger banks are certain to grab a much larger share.

For a while, the finance ministry placated the brokers by arguing that the relaxation would result in a larger market for everyone. The banks, too, maintained the fiction, saying they posed no threat to their new rivals. But in the last few weeks, the pretence has been dropped.

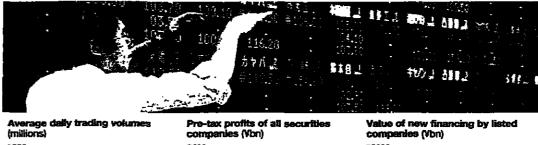
"This is going to be very competitive. Brokers are very concerned about what will happen to their business as the banks enter the market," said Mr Kaname Seki, managing director of the Japan Securities Dealers Association.
A slump in Tokyo's securities

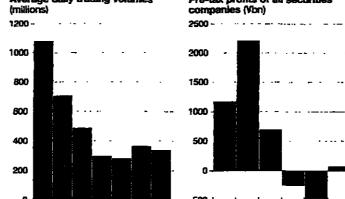
business has already devastated stockbrokers. Securities companies went from a combined pre-tax profit of Y2,200bn in 1989 to a loss of Y470bn in 1992. A slight recovery last year looks likely to be wiped At first sight, Japan's four brok-

Gerard Baker examines the implications of allowing Japan's leading banks to open securities companies

# Ripple effect of Tokyo's Big Bang

Japan's stockbrokers: feeling insecure





10000

ing behemoths, Nomura, Nikko, Yamaichi and Daiwa, look like the biggest losers: 15 per cent of their earnings came from underwriting commissions last year, compared with an average of 6 per cent for smaller and medium-sized brokers. But they are large enough to withstand even a sizeable loss of business. And, as the result of a piece of reciprocal deregulation, they have established trust banking subsidiaries which are expected to provide significant compensation. The real threat is to the smaller

stockbrokers. Bonds represent a smaller proportion of their business, but the arrival of the banks comes just as their core equities business is hitting new lows. The finance ministry has reduced

new equity issues to a trickle in the last two years, to avoid flooding the market. Worse still, in recent months trading levels have fallen sharply. Trading volumes on the stock market have declined from a peak of more than 1bn shares a day in 1988, to a recent low of an average 300m a day for this year. The collapse of trading has put

brokers' margins under severe pressure. For an average broker to make a profit, total trading needs to be in excess of 400m shares a day. Despite radical cost-cutting measures, including staff reductions of nearly 30,000, or 20 per cent, in three years, brokers are still losing money. In the past six months only 29 securities companies out of 215 made a profit.

Losing out to the banks in bond issuance will turn these difficulties into a crisis. One senior executive at a medium-sized broker said: "We are now in a race for customers, and I cannot see any other outcome than one in which the banks win the race easily. Because our profits are so weak, banks can always beat us on price, despite their size and

What most upsets brokers is what they see as the unfair advantages enjoyed by the banks' subsidiaries. est financial institutions backing

them, they will have access to an enviable client base, in that the bank's clients are expected to transfer their broking business to the bank's subsidiaries.

Equities

Bonds

The new companies are supposed to be divided from their parents by "fire walls", preventing the transfer of information from bank to broker. They will not be allowed to tout for customers together, for example. But the aggrieved brokers feel that most of the divisions are cosmetic with one rule preventing the subsidiaries' staff from wearing the same coloured uniforms as those of the banks - and will not prevent subsidiaries from exploiting their links with their parent banks.

"Though we are not allowed to exchange information, I should point out that, of the 126 employees of DKB Securities, 124 came from DKB the bank," said Mr Yasuo Noda, president of DKB Securities, with a wry smile.

In two years the authorities are framework, but few in the industry

think the outcome will be anything other than a further extension of the banks' role. That leads most analysts to conclude that the indus-

try is in for a significant shakeout.
One medium-sized stockbroker, Cosmo, has already had to be rescued by a bank. More are likely to follow. Even the banks seem pre-pared for it. Many of the smaller companies are partly owned by banks and larger companies, and many analysts expect these stakes to be expanded.

"Since the current difficulties for the smaller brokers are certain to get worse," said Mr Noda, "further mergers and consolidation are

bound to happen."
One opportunity for brokers could lie in the further deregulation of the securities market, which might expand the volume of business by enough to save most of them. They have been reluctant to press for wider deregulation until now, since would be likely to lead to a cut in the fixed commissions they charge. But they may have little

wide range of securities business is currently denied to the broking sector. With deregulation, there are some relatively new markets that brokers could tap, such as asset-backed securities and derivatives, both of which are heavily restricted in

There would also be opportunities in a domestic secondary bond market, almost non-existent at present due to the rules governing the registration of bonds, which make it almost impossible to sell a bond once it has been bought.

"If the arrival of the banks is accompanied by a genuine opening of the whole securities market, then we have nothing to fear, and the real winner will be the corporate customer," said Mr Akira Ogino, a managing director of Nomura Secu-

rities. This suggests the intriguing pos-sibility that financial deregulation, up to now carefully controlled by the Ministry of Finance, might be developing a momentum of its own. Tokyo's markets are still hidebound by restrictions that deter domestic and foreign investors and limit the scope for raising capital. "The right thing to do now," says Mr Seki, "would be to press ahead with wider deregulation quickly to enlarge the market and create genuinely open competition."

It is a happy coincidence of interest that the action that will probably be necessary to save the skins of the country's brokers will be the same as that needed to develop a capital market commensurate with the needs of the world's second largest economy. The Ministry of Finance may find that it has at last created a self-propelling liberalising

# There's no time like European time



like keeping a company moving forward. You must strive to increase revenues, to cut PERSONAL costs and to make

your shareholders. If into the bargain you can improve the quality of life of those you are responsible for, you may even be liked as well - though that is asking a lot! Which has led me to

wonder if it would not be remiss of the government to pass up an opportunity to bring in an extra £1bn a year for the UK's tourism and leisure industries, boost business and employment prospects, and consolidate the positions of London and Edinburgh as Europe's pre-eminent financial centres, all without costing us a penny. For that very opportunity is

before us now. It goes by various names and has

ing it on to the statute books. It is the remarkably simple idea of putting our clocks forward by one hour throughout the year on to what Eurotunnel is at present forced to call "concession time". This is what VIEW yourself more competitive. Do this and in financial we operate from Folkestone, and what the Home Office has laboriously christened "single/double terms you will live to do more for summertime". A campaign to achieve this objec-

tive - unifying the UK with European Time - was launched recently, with the aim of bringing forward a private member's bill on the subject in the annual ballot that allows a backbench member of Parliament to introduce a bill to the House of Commons. Daylight The campaign.

Extra... Now, is rightly pointing out the advantages of an extra hour's daylight at the end of the day, when most of us would notice the difference. Most notable is the reduction in road accidents, evidence for which is provided by the Transport Research Laboratory and

for sport and leisure, but from my commercial perspective there are other benefits too.

For a start, the change to syn-chronise UK time with that in con-

The campaign rightly points out the advantages of an extra hour's daylight at the end of the day

tinental Europe would spell an end to the current absurdity whereby we enjoy a mere four hours of overlap in working time with the continent of which we are part and to which about three-fifths of our exports now go. Never do the 22 miles separating us seem so long as when you try to call a colleague in Paris around "lunchtime".

But there is far more at stake than mere convenience. Putting the

Boosting a country's appeared in different guises over endorsed by the Royal Society for clocks forward will synchronise on our parliamentary decision mak-Britain's financial markets with are also the greater opportunities those of continental Europe, it will confirm English as the main language of European business and it will open up a precious 60 minutes of overlap in working time with the tiger economies of the Far East.

British executives will also experience the novelty of attending normal meetings in Paris, Brussels, Amsterdam, Geneva and Frankfurt without the expensive and time-consuming process of flying over the night before to stay in anonymous

hotels. The tourist industry, which is heavily dependent on daylight hours already, would have its sea-son extended - thereby encouraging the rapidly expanding domestic market in off-peak and short-break

Small wonder then that the cam-paign has the backing of, among 130 others, the Confederation of British Industry, British Tourist Authority and the Association of British Chambers of Commerce. It is time to break inertia's grip Eurotunnel

that the grip is now slackening among MPs. Like all matters that affect the way we live our lives - be it the compulsory wearing of seat belts or imposing a smoking ban on public transport - there is an inbuilt reluctance to shift from the status quo. Ultimately, however, passive opposition in those examples was

overcome and I am confident it can be in this one.

As there was reluctance in Downing Street to include this measure in the Queen's Speech, then let there be support for a private member's bill which is included in today's ballot. Government by lot-tery it may be, but this is one issue whose number must surely now be called.

**Alastair Morton** 

The author is co-chairman of

# **OBSERVER**

# Silence is golden

■ Silvio Berlusconi, currently the only leader of a G7 country waiting to be grilled by anti-corruption magistrates, could learn a lesson or two from Italy's Enrico Cuccia, honorary chairman of Mediobanca, the powerful Milan merchant bank.

Cuccia, who celebrates his 87th birthday today, received a warning from Ravenna magistrates in May that he and three other Mediobanca executives were under investigation for alleged involvement in false

corporate reporting by Ferruzzi-Montedison, the troubled industrial group for which the bank masterminded a rescue plan exactly a year ago. Immediately, a terse press release (Mediobanca's first ever) was issued

denying the charges, and then there was complete silence. In contrast, Berlusconi's reaction to the magistrates' warning was to record an angry seven-minute speech, railing at almost everybody. and send it to all Italy's television

Result Berlusconi loses credibility; Cuccia guards his.

Wheels oiled ■ Indonesia's President Suharto is getting a reputation as a man who

Having made sure that the

can get things done.

did not get drenched - he laid on a pairang hujan (rain man) to pray for dry weather - he seems to have been responsible for banging heads together at this week's Opec conference. Opec has been looking for a new

leaders at last week's Apec summit

secretary general since June and it seemed as if the latest Opec meeting would pass without a decision; both Iran and Venezuela wanted their man to get the job. However, Suharto broke the deadlock with a phone call to Iran's President Rafsanjani urging him to accept Nigeria's Rilwanu Lukman as Opec's next chief. A slightly surprising choice -

given Nigeria's reputation as Opec's bad boy for consistently flouting production ceilings. Even so, the fact that Opec can agree on something is bound to send the right sort of signal to the world's oil markets.

Out in the cold Whatever happened to Sir Peter Holmes? He has gone to ground since he stepped down as chairman of Royal Dutch Shell nearly 18

Unlike his predecessors, such as Sir Peter Baxendell, who went on to chair Hawker Siddeley, and "Fearless Frank" McFadzean, who went on to head British Airways and Rolls-Royce, Sir Peter has kept his head down.

At 62, he is still young enough to



'It's a plaster-cast of a bag of plaster'

take his pick of chairmanships in the public or private sector. But he seems to prefer spending his time trekking in remote areas rather than networking in the City. It seems to run in the family. His daughter, Martha Holmes, has just picked up an International Emmy award for her documentary Life in the Freezer - the product of two years spent in the Antarctic.

Mild and bitter

■ If November is going to be the warmest on record in Britain, what next? Unfortunately, Bill Foggitt, the Thirsk weather sage, has been

basking in hospital during Britain's unseasonally warm autumn weather, so he has not been able to sniff the air as much as he would

Now recuperating at home, he reports that the recent mild autumn spell, similar to those of 1944 and 1947, is not going to last. While the wet October and November of this year were similar to those of last year, that is where the similarity ends. Though last year's wet autumn was followed by a white Christmas and an extremely cold February, Foggitt is not predicting a white Christmas this year. It has happened in successive winters only once this century, he says: in 1963 and 1964.

Just say no

wish.

Someone in the Tory hierarchy has found an ingenious way of silencing the Young Conservatives, the spotty right-wing ideologues who make Lady Thatcher appear somewhat to the left of Tony Benn. The dwindling band of teenage militants, long a thorn in the side of the party leadership, have been told by Conservative Central Office that

their own arrangements for next February's Southport jamboree. To raise the necessary cash, the YCs - as they call themselves have come up with the clever wheeze of charging journalists £50 for the privilege of covering the

it will no longer organise their

annual conference. They can make

event. The only snag is that the main news organisations are refusing to pay up and threatening instead to ignore the youthful

shenanigan Who says Central Office doesn't have bright ideas?

Ministering angel
■ Pity the Earl of Longford, the veteran Labour peer and former

cabinet minister who has been championing the cause of penal reform for 50 years. He despairs of securing any improvement while Michael Howard remains home

Indeed, the normally restrained peer has dubbed Howard "the prince of darkness". He is pinning his hopes on Home Office minister Baroness Blatch, who helped remedy some of John Patten's mistakes when he was education secretary. Longford calls her his "angel of light".

#### Sheepish

■ Pfizer, the US drugs company, has just paid \$1.45bn for SmithKline Beecham's animal health business which includes a thriving sideline in "swine and companion animal

vaccines". Come, come, Pfizer. If you are going to call a pet a "companion animal", surely a swine should be an ungulate omnivorous mammal, Even swine have feelings.

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CHECK FILL CHARLES

ex-Soviet

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By Jurek Martin in Washington

nd Steve LeVine in Alma Ata

The US yesterday completed the

secret transfer of 600 kilograms

of highly enriched uranium from

a storage facility in Kazakhstan

considered very vulnerable to

Mr William Perry, defence sec-

retary, told a press conference:

We have put this bomb-grade

nuclear material forever out of

the reach of potential black-marketeers." He said the ura-

nium could have been used to

produce "more than 20" nuclear

Mr Warren Christopher, secre-

tary of state, described the oper-

ation as "a landmark event in

President Bill Clinton's non-pro-

liferation strategy", along with

last week's approval by the

Ukrainian parliament of the

nuclear non-proliferation treaty

and the recent agreement with

The US operation, codenamed

Project Sapphire, was conducted

over the past six weeks after the

government of Kazakhstan, one

of the four former Soviet states

with nuclear capability and a

signatory to the NPT last year,

privately advised Washington it

could not guarantee the safety

and security of the stockpile at

its Ust-Kamenagorsk facility.
Mr Clinton authorised the

operation on October 7 and it

was placed under the direction of

vice-president Mr Ai Gore. A US

team then worked nonstop in

Kazakhstan to arrange the trans-

The first shipment left Ust-Ka-

menagorsk airport last weekend,

with the final consignment arriv-

ing in Delaware yesterday morn-

ing en route to the reprocessing

The operation was funded by

the US under the Nunn-Lugar

Act which provides about \$800m

in the current fiscal year to

assist denuclearisation efforts in

Russia, Belarus, Ukraine and

how the Nunn-Lugar programme

can help eliminate a national

security threat before it arises,"

Mr Perry said. "This is defence

by other means and in a big

at Senator Jesse Helms of North

Carolina, probable next chair-

fuel for nuclear-powered subma-

ay." His remarks were aimed

"There is no better example of

Kazakhstan.

plant at Oak Ridge, Tennessee.

fer in conditions of high secrecy.

hombs.

North Korea.

Corruption allegations pose threat to budget | US moves

# Italian coalition parties call for crisis meeting

By Robert Graham in Rome

Key partners in Italy's rightwing coalition government last night called for a crisis meeting after magistrates decided to investigate corruption allegations against Mr Silvio Berlusconi, the

prime minister. The move highlighted the division within the government which pitted the populist North-ern League of Mr Umberto Bossi against its partners. It raised fears of whether the government would survive to ensure the 1995 budget passed its last phase in

Yesterday concern over Italy's political instability forced the lira to another historic low of L1,035

against the D-Mark.
President Oscar Luigi Scalfaro took the exceptional step of issuing a statement urging the passing of the 1995 budget. This came after he met the speakers of the two houses, Mr Carlo Scognamiglio and Ms Irene Pivetti. Mr Scalfaro also said the government could only be changed by a par-tio come to Mr Berlusconi's sup-liamentary vote of no confidence. port and the party's even-

The longstanding tensions tual statement was terse. within the government have been heightened in the wake of Tuesday's decision by Milan magistrates to investigate Mr Berlusconi for alleged corruption while running his Fininvest business.

Mr Bossi made it clear the government should only survive until the budget is approved. But yesterday the League leader and other members of his party were absent from a crisis meeting of the coalition. This was attended by Mr Cesare Previti, the defence Mr Berlusconi's Forza Italia movement, Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance and Mr Pierfernando Casini, head of the small Christian Democrat Centre.

Their call for an immediate clarification of where each coalition partner stood appeared aimed at forcing Mr Bossi's hand and assessing survival tactics with Mr Berlusconi's six-month political career now at risk. Mr Fini on Tuesday was slow to come to Mr Berlusconi's sup-

Mr Berlusconi seemed deter mined to tough it out. He stood by his claim of innocence and his mood was described as one of

'serene indignation". But Milan magistrates indicated they had taken evidence from 16 different sources. They reportedly anxious to question him about alleged bribes paid by Fininvest subsidiaries to ensure favourable inspections by

the tax authorities. Talks are due to be held today between the government and the trade unions in an attempt to general strike on December 2 to protest against the budget and its plans to cut pensions. The impending strike has added another large element of uncer-

There were signs last night both sides were seeking to reduce tension and avoid a head-on conflict. But union leaders were worried about finding an acceptable last-minute compromise that

# Kohl launches government programme with jobs call

By Judy Dempsey in Bonn

Mr Helmut Kohl, the German chancellor, called yesterday for a "national alliance" of business, industry and trade unions to create more jobs, and pledged to reduce bureaucracy and cut social spending.

In a speech to parliament outlining the government's programme for the next four years, Mr Kohl also said it was crucial to speed up central Europe's integration into the European Union. "It is in the interests of the Germans, but also in the interests of Europe, that the western border of Poland does not remain the eastern border of the Euro-

pean Union," he said. "At the European Union summit in Essen [next month] we want a strategy to advance the young democracies of central, east and south-eastern Europe,"

fifth term as chancellor by a sin-

majority, told the Bundestag: We have to bundle all our energies to make Germany fit for the 21st century. We need an alliance for the future. I invite everybody to join us daring to renew our state and society. Work for everyone must be our common goal."

Mr Kohl said jobs must be created for the long-term unemployed as well as the disabled. But he stressed that part-time work should be made more attractive and flexible as one means of opening up the job market, now considered the govern-

ment's top domestic priority. But Mr Rudolf Scharping, leader of the opposition Social Democrats, ruled out any form of "grand coalition". "Our opposition will aim to make life better for people in this country, not to keep you [Mr Kohl] in office," he said. "Every day you are in office is one day too long for us."

The SPD is determined to ity of 10. However, the opposition gle vote over the necessary in the Bundestag - which

the reformed east German communist Party of Democratic Socialism - is for the moment too disunited to present a serious challenge to Mr Kohl's Christian Democratic Union-led coalition.

If anything, CDU officials believe the immediate threat to the coalition, which comprises the Christian Social Union, the CDU's Bavarian sister party. comes from the Free Democrats, the junior partner. The FDP has 47 seats after losing 32.

"Kohl had to be careful in this speech not to provoke the opposition," a CDU senior official said. "He needs the SPD in the Bundesrat [upper house] to get any legislation through. This will be a tough period for the govern-

Government stability would be tested during elections in Hesse and North Rhine-Westphalia next year. "We are in big trouble if the cent, the minimum required to

man of the senate foreign relaened severe cuts to funding for such operations. Kazakhstan's nuclear energy minister said the uranium was used during the Soviet period as

> rines and nuclear reactors, not for atomic weapons US concerns that what the state department calls "rogue states" - such as Iraq and Iran might acquire nuclear capability have been high for the past two years. Reports of smaller quantities of enriched uranium intercepted in Germany earlier this year had heightened these

# Dow prompts fall in world markets

Continued from Page 1

Asian stock markets reacted badly to Tuesday's Dow decline. Hong Kong led, with the Hang Seng index dropping a further 4.2 per cent after Tuesday's 3.8 per cent decline. The British colony, which has a currency link with the US, is highly sensitive to moves in US interest rates.

**Europe today** 

may be dense and persistent in northern italy, sections of France and northern Spain. England will be mostly

High pressure from England to France. the Alps, Spain and northern Africa will stay strong. As a consequence, fog

overcast with drizzle. In contrast, most of the Mediterranean coast will be mild with clear skies. Disturbances will drive

mild air into Russia along the northern side of the high pressure, causing rain in Poland and parts of Belarus.

Northern Europe will have strong north-westerly breezes bringing snow to

High pressure will continue to dominate

from England to southern Europe and the former Yugoslavia, providing

expected in central Europe during the weekend. Meanwhile, cold arctic air will hold temperatures below freezing from

persistent fog in some areas and abundant sunshine and high

temperatures in others. Rain is

northern Russia to the Ukraine.

Norwegian ski resorts.

Five-day forecast

The Thai market declined 5 per cent and the Indonesian market

fell 3.3 per cent. European equity markets were marked down sharply as trading began. In London, the FT-SE 100 index opened around 40 points lower and, with no relief from early Wall Street trading, ended fifth largest fall this year.

about I per cent to 2 per cent, with the Dax index in Germany down 1.6 per cent in after-hours trading. European investors were worried that higher US interest rates might slow the US economy, hitting the growth of European exports and the profits of the US subsidiaries of European

# FT WEATHER GUIDE <u>@</u> LOW



More and more experienced travellers make us their first choice.

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# THE LEX COLUMN

# Dow but not out FT-SE Index: 3027.5 (-51.2)

Wall Street has defied gravity all year. Though world bond markets and most other equity markets have tumbled, the Dow had stayed remarkably steady. One could view this week's slide as Wall Street catching up. Compared with bond yields of 8 per cent, the 3 per cent pay-out on shares was looking a bit mean. It also seems reasonable to shade down estimates of corporate earnings growth to take account of the latest rise in short-term interest rates. The growing feeling that a Republican Congress was more of a menace than a boon to industry hardly helped.

The knock-on effect on British and other European equities seems less to do with fundamentals than sentiment. True, any slowdown in the US will harm exports and reduce the earnings multinationals receive from their American subsidiaries. But UK equities have already fallen this year. Moreover, the spread between gilts and Treasury bonds has narrowed in recent months. So the ratio between bond and equity yields in Britain is not as stretched as in the US. The same is true in much of the rest of Europe. Perhaps one should not even be too worried about Wall Street. Two promising features this week have been the rally in US bond markets and the firmness of the dollar. If they continue, funds which have been flowing out of US markets all year may start returning. Japanese investors, in particular, may be tempted back into dol-lar assets. It will not take a very large bond rally for Wall Street to look rea-

#### Pfizer/SB

SmithKline Beecham may justify the disposal of its animal health business by insisting it wants to concentrate on human health. But yester day's sale to Pfizer was motivated more by financial needs than industrial strategy. Although the deal may prove marginally dilutive, that will be more than offset by the balance sheet impact of £700m in net cash. By yearend, gearing should have fallen from a peak of nearly 350 per cent to just 120

Pfizer's desire to leap from number six to the top spot in animal health appears initially puzzling. After all, the sector's low margins and relatively slow growth mean it has always been a poor cousin to human health. However annual growth of the US pharmaceuticals market has decelerated to just 5 per cent, little more than animal

London and New York

health's 3 per cent. Moreover, the mix of SB's business means that during the last three years its division has enjoyed average growth of 10 per cent and margins of 17 per cent. That will give Pfizer's operations, whose margins fell from 18.6 per cent in 1990 to just 6.4 per cent last year, a substantial shot in the arm.

Whether Pfizer has overpaid is unclear: the acquisition is unprecedented in the animal health industry. The multiple of 22 times historic earnings is probably justified by the business fit. There is little product overlap and fine geographical synergy given SB's strength in Europe and Australasia and Pfizer's in South America and Japan. Given the fragmented state of the animal health industry and the continuing turmoil in the drugs industry as a whole, this is unlikely to be the sector's last deal.

#### Granada

Granada has become the latest British group to toy with the idea of buying back its shares or paying special dividends. Doing so is clearly not its priority. Mr Gerry Robinson, chief executive, would much prefer to find more acquisitions into which to pour his energies. Indeed, the evidence to date on the LWT and Sutcliffe purchases seems to show that Granada is adept at adding value through acquisi-tion. The snag is that suitable avenues for expansion are hard to find. During the summer, caterer Gardner Merchant spurned Granada's advances; moreover, the government is unlikely soon to change rules preventing the group buying another ITV company. As a result, Granada is having to

scout around for catering acquisition on the continent - so far with no luck. Meanwhile, the company generat cash at a prodiginus rate. If no further acquisitions are made, Granada will be debt-free in three years and still hold a £400m investment in BSkyRe Under such a scenario, share buybacks would clearly be sensible, hivestors should also be reassured by the implication that the management is not so desperate for deals that it will overpay. Yesterday's preliminary results show how tightly the business is being managed. The improvement in margins was particularly gratifying But it is hard to argue that Granada undervalued. The predictability of its rental and catering arms may compen sate for their duliness. But a prospective price/earnings premium to the market of around 10 per cent looks

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#### Tate & Lyle

Tate & Lyle is difficult enough to mderstand at the best of times; yesterday's decision to present less detailed segmental information is a retrograde step. The move may be instified commercially, but it will hardly help Tate dispel investors' doubts about the quality of its earnings. These have long been viewed as vulnerable to swings in the commodity-like markets in which Tate operates That said, the swings in the last

financial year worked decidedly in shareholders' favour. Pre-tax profits were at the top end of analysts' expectations and the dividend was up by a generous 10.8 per cent. But with the shares up 18 per cent against the market this year, and a 20 per cent yield premium to the market converted to a small discount, this kind of earnings performance has already been anticipated. The question now is the extent to which the profits momentum can be maintained in the current year.

The pointers are good. The favourable supply/demand equilibrium in north American and European starch and sweetener markets seems set to continue. There is likely to be a modest recovery in the US sugar market. Elsewhere in the group there is ample scope for loss elimination – for example, at recently acquired Orsan - and for cost-cutting. Healthy cash-flow will enable Tate to pursue further acquisition opportunities and pay a substan-tially higher dividend. Tate will remain a core holding, notwithstanding the greater obscurity of its

# KUESEKOYE E

#### ROLLS-ROYCE TO BUY ÁLLISON

Rolls Royce is Notiny the Allison Engine Company, the world leader in helicopter engines and tagge military mansport har boprop engines, for \$525 million. The acquisition which is subject to regulatory appeared, is an excellent atfairence fit giving Rolls Royce a significant manufacturing presence in the United States, the world's most important aerospace market. In addition, Allison becomes part of a major acrospace group for the first time. Affison has a strong spaces business from one of the largest fleets of gas turbing engines - 29,000 - in aviation service. The two companies will be able to offer a broader product range, including feur new Allison engines now entering, or close to entering service.

# ROLLS-ROYCE GAINS £30 MILLION IN CHINESE MD-90 DEAL

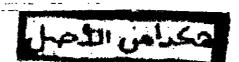
The People's Republic of China has recently signed a contract for a total of 34 V2500-powered McDonnell Douglas MD-90 airliners. The powerplants are produced by International Aero Engines, of which Rolls-Royce is a principal. shareholder. The deal represents an increase of 14 aircraft over the previously announced number and the value of additional business for Rolls Royce is around £30 million.

# PARSONS DELIVERS POWER TO INDIA

The first of two 250MW generators being supplied by Parsons Power Generation Systems as part of a £70 million contract for an Indian power station, has arrived at Calcutta. Parsons is part of the Rolls-Royce Industrial Power Group.

THE SYMBOL OF POWER

ROLLS-ROYCE plc, 65 BUCKINGHAM GATE, LONDON SWIE SAT.





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**FINANCIAL TIMES** 

# **COMPANIES & MARKETS**

**E)THE FINANCIAL TIMES LIMITED 1941** 

Thursday November 24 1994



Telford.

German

bank sees

operating

profits fall

By Andrew Fisher in Frankfurt

Commerzhank suffered a 27 pei

cent drop in group operating profit to DM660m (\$425m) in the first 10 months of this year as a

result of weakness in world bond

markets, but sales of sharehold-ings helped the group's pre-tax

The German bank also said it

mortgage loans. Hypotheken-

profit rise 43 per cent.

# IN BRIEF

#### **US** cable group in \$1.4bn buy

Continental Cablevision, the third largest US cable-TV company, is to buy the cable operations of Providence Journal in a deal valued at \$1.4bn.

Nestlé hit by strong Swiss franc
Nestlé, the world's largest foods group, said sales in
the first nine months were down 1.5 per cent to SFr45.9bn (\$35bn), mainly because of the strength of

Stora surges as demand rises Stora, Europe's biggest pulp and paper group, yesterday announced a SKr2.04bn (\$277m) pre-tax profit for the first nine months, a seven-fold increase on last year's SKr294m. Page 18

Thyssen returns to black Thyssen, the German steel-based conglomerate, said yesterday it was back in profit after the worst results in its 103-year history. Page 18

**Granada focuses on expansion**Granada, the UK television, leisure and services group, group is considering expansion in continental Europe through acquisitions in catering and services. Page 18

ANZ surprises with A\$803m Australia and New Zealand Banking Corporation, the big Australian bank, surprised the market with news of an A\$803.2m (US\$609m) profit after tax.

Czech airline hopes for end to turbulence Czechoslovak Airlines, the Czech Republic's lossmaking national airline, is hoping an that government money and a new approach to partnerships will help it ride out a turbulent period. Page 20

Courtaulds pinpoints European plant Courtaulds has chosen Grimsby, Humberside, as the site for its European production plant for Tencel, its new man-made fibre. The plant, which will initially create 120 jobs, will cost £90m (\$147m).

Harrison & Crosfield shares fall Harrisons & Crosfield shares dropped 8 per cent

yesterday as the UK chemicals, commodities and building supplies company sought to rein in profit expectations. Page 22 Asprey falls to £3m

Asprey, the Queen's jeweller, revealed a sharp pretax profits tumble from £12.2m to £3.01m (\$4.9m), in the six months to September 30. The company warned in September that the absence of a few high-spending customers would depress profits.

Porton poised for takeover Beautour Ipsen, the family-owned French pharma-ceuticals company, should find out today whether its £65.5m (\$107.4m) recommended takeover bid for Porton International, one of the UK's first biotechnology companies, has been successful. Page 22

Chloride Group buys security unit Chloride Group's transformation from a batteries business into an electronics group was reinforced yesterday by the acquisition of ADE Group, an electronic security business. Page 23

19 (Ceinwort Benson

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nerald Energy	24 Smithkline Bee	chem

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# Chief price changes yesterday



LONDON (Pe	ace)			M & G Group	945	_	40
Rines		_	8	Magaum Power	125	-	13
Productional Prop	194	*	13	MSM	99	_	5
Division Group	133	+	10		1103	_	42
Vetal	253	+	14	Perpokali		_	10%
Falls		_	11	Recal Disc	217%	-	
Blue Circle	293 447		23	Readicult	62	-	574
Barnetter.		_	10	Sheraltok	. 176	-	7
वा	369	Ξ	Š	Smith New Court	360	_	11
City of London	88	-	15	Vodalose	195%	_	814
Courteuide	425	-	21		222	_	13
the LA RAID	990	-	13	Waddington.		_	- 19

# Pfizer makes record purchase

By Daniel Green in London and Richard Waters in New York

SmithKline Beecham, the UK drugs company, yesterday agreed to sell its animal health business to US rival Pfizer and called a halt to the \$7.7bn of corporate transactions it began in last May. The \$1.45bn deal is the biggest acquisition ever made by Pfizer, the fourth biggest US drugs company, and signals its intention to

grow through takeovers. "We have several core health businesses, and we're looking for acquisitions in all of them," said Mr William Steere, Pfizer's chairman and chief executive

Mr Jan Leschly, SmithKline's

group looks

to reshape

capital base

A capital restructuring package,

including a call on shareholders

for a further DM600m (\$386m)

and a two-to-one capital reduc-

tion, is being prepared for pre-

sentation at Metallgesellschaft's

Describing the scheme as "only a concept", Mr Kajo Neu-kirchen, chairman of the bat-

tered German metals and engi-

neering group, said the alm was

to offer shares in the capital

increase at a substantial dis-count to the market rate.

Shares in this year's DM1.4bn

rights issue, part of a DM3.4bn

rescue arranged by bank share-

holders, were priced well above

The stock was suspended ves-

terday, after closing at DM143 on

The fact that Mr Neukirchen

announced plans for a capital

write-down suggested German

creditor banks, which tightly

control the company, had

Restructuring of the group's

capital base has long been expec-ted and viewed as the logical

consequence of the operational

shake-out which has led to the

sale and closure of dozens of sub-

sidiaries in the year since col-

The assets sale instituted last

December has generated more

than DM4bn, and 90 subsidiaries

have been disposed of or decon-

Mr Neukirchen said yesterday

that the sell-off was virtually

complete, apart from the planned

disposal of the Lentjes plant and pipeline construction activities.

He repeated earlier forecasts of

operating earnings exceeding

DM100m in the year to the end of September 1995. Mr Nenkirchen also expanded on 1993-94 figures published last

week which showed a net

loss of DM2.7bn on sales of

DM20bn, compared with a deficit

of DM1.97bn on DM26bn turn-

lanse threatened.

solidated.

year.

already agreed in principle.

the market at DM250.

annual meeting next March.

Metals

By Christopher Parkes in Frankfurt

SmithKline deals since April Sterling Health in North America 345m Animal Health 614m

was probably the last corporate deal for the moment.

appointed in April, SmithKline has spent \$5.2bn on buying Diver-sified Pharmaceuticals Services, a US drugs distributor, and Ster-

nvestment Cassandras have been proclaiming that the US

stock market has been over-

valued for two years or more, but

Wall Street has stubbornly refused to pay attention.

This week may have seen the

turning point. On Tuesday the

Dow Jones Industrial Average

plunged more than 90 points, its

Reserve first raised interest rates

and sparked a stock market

The frenzied selling in Tues-

day's final hour of trading, com-ing after a similar sharp decline

late on Monday, indicated that

something was seriously wrong

with the US market. Just how

wrong remains to be seen, but Wall Sreet's hopes for a tradi-

European and Asian equity

markets have been almost power-less to resist in the face of the US

declines. In some cases, such as

Hong Kong, there is a direct

interest rate and currency link

with the US, which often turns

the local stock market into a

more volatile version of Wall

In Europe, the health of the US

economy has a direct impact on corporate profits. If the Ped's

increases in interest do slow the

US economy, "the result will be a

net negative for the rest of the

world both in terms of lost

exports to the US and lower cor-

porate profits earned by US sub-

sidiaries", said Mr Peter Lyon,

chief strategist at securities

an important part in world capi-

tal flows, it is hard to see how

European and Asian markets can

escape from Wall Street's influ-

ence. So the immediate prospects

for world markets depend on

events in the US.
This week's losses, while well

short of Crash proportions, have

left traders, investors and ana-

lysts rattled. The Dow lost 3.6 per

cent of its value on Monday and

Tuesday, the largest two-day

The selling was so intense that

the New York Stock Exchange's

"circuit breakers", which limit computerised program trading

during volatile markets, proved totally ineffective. Yesterday, the

market's mood remained grim.

and analysts were speculating

whether the Dow would soon test

decline since March.

With US investors also playing

house Smith New Court.

prices are fading.

Street.

decline in early February.

synergy and restructuring," said Mr Leschly.

That restructuring has already started, with the merging of all businesses outside Europe and north America into a single division called SB Healthcare Inter-national, he said.

With the purchase, Pfizer will control the world's higgest animal healthcare business, ahead of Rhone-Mérieux of France, according to Mr Matthew Phillips, animal health sector analyst with London stockbroker Wood Mackenzie.

SmithKline's animal health business had sales in 1993 of \$614m and operating profits of

\$578m in sales, \$37.5m in operating profits and is growing more slowly than SmithKline's.

With this deal, Pfizer is buying an entry into European and Australian markets to complement its strengths in the US and Japan. It will also add animal vaccines and pet medicines to its

product portfolio. The companies said the trans-action would not dilute earnings. The sale should more than halve SmithKline's gearing. Last September, the company expecteded year-end gearing to be 250 to 300 per cent. However, after this sale it should fall to about

120 per cent. Lex, Page 16; Reorganisation,

Dow Jones relative to FT-A World Index

investors, this sounds like a rec-

ipe for higher budget deficits and

initial Republican threats to

ement also upset the market.

Today's Thanksgiving holiday

may be a welcome break for investors and traders on both

sides of the Atlantic, But those

bulls who were counting on a

Dow rally through 4,000 by

Christmas may feel queasy as they tuck into their turkey.

Editorial Comment, Page 23;

Lex. Page 24; 'B&b' deals, Page

28; London market, Page 48;

World stock markets, Page 45

had agreed to buy 51 per cent of Hypothekenbank in Essen, which specialises in municipal and bank made net profits of DM34m last year and has total assets of DM32bn – which will bring Com-merzbank's total assets up to

more than DM310bn. The price of the stake was not revealed. The fall in Commerzbank's operating profits mainly reflected the decline in bond and securities markets, with earn-ings on own-account financial dealings down by 88 per cent to DM56m from DM475m; losses and write-offs on securities were

transactions. The bank reduced loan loss provisions by 3 per cent to DM1.3bn.

partly offset by profits on for-

eign exchange and derivatives

Commerzbank, the first of Germany's big commercial banks to issue its 10-month figures — next year, it will give only nine-month results – said its pre-tax profit was 43 per cent higher at DM1.5bn. Profits on the sale of its 15 per cent stake in Karstadt, the department store company, and of shares in the DBV insurance company were mainly responsible for the increase.

Mr Martin Kohlhaussen, chairman, hinted that sbareholders would receive a higher payout to mark next year's 125th anniver-sary. He said the DM12 dividend would be "at least" maintained, and a possible anniversary bonus would be considered after

Partial operating profits, which exclude own-account trad-ing, rose 14 per cent. Contributing strongly was a 10 per cent rise in net interest income to DM4.3bn. Increased lending competition pushed the average interest margin down to 1.79 pe cent from 1.85 per cent, but this has improved since mid-year.

Commerzbank will open up a direct banking subsidiary, Com-Direct Bank. It will offer standard securities, deposit and loan products by telephone, fax or mail. Commerzbank is ahead of its big Frankfurt rivals, Deutsche and Dresdner Bank, in this area but not the first German bank to enter direct banking.

chief executive, said the disposal ling Realth.

Since Mr Leschly

Bayer, the German chemicals "I can't rule out further acquisitions, but what's next is to

It later sold the north Ameri-

can operations of Sterling to

make sure that we make the \$104m. Pfizer's division had Page 22

# Patrick Harverson and Philip Coggan report on the falling Dow Wall Street shake-out gives markets cold turkey

By yesterday, it was clear the bond market was already benefit-

prices rose as share prices

dropped. After one of its worst declines ever, the bond market

now appears poised to capitalise

The US stock market has also

been unsettled by the uncertain political situation in Washington,

where the Republicans who

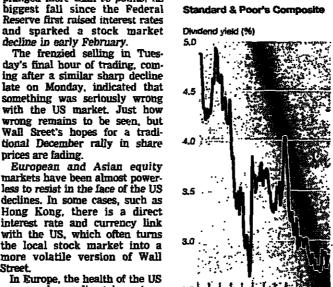
recently took control of Congress

are talking of cutting taxes and

increasing defence spending. To

on the stock market's woes.

US stocks: are they overvalued?



However, late on Monday, investors - their confidence in

tors may be ready to switch their

# 1983 85 87 89 91 93 94

per cent to 50 per cent.

the economic outlook under- ing the switch out of stocks. For delay a vote on the Gatt trade rate rise - began to sell cyclicals. The Fed's move on November 15 was the sixth (and possibly not the last) tightening of monetary policy in 1994, and the largest rate increase in more than a decade. This, says Mr Richard Hoey, chief economist at the Dreyfus fund group in New York, spooked investors. "The Dow has a lot of cyclical stocks in it, and the cyclicals were outperforming on the basis of a strong economic recovery. But then the Fed tight ened aggressively, to the point where the fear of weaker earnings and recession in 1995

n top of the concern about further rate increases and a weakening in economic and earnings growth, there was a growing realisation on Wall Street that invesmoney out of shares and into bonds because of the more attractive yields available on the latter. As one fund manager said on

This week Morgan Stanley cut its recommended allocation of stocks in its model portfolio from 97 per cent to 85 per cent, and Dean Witter Reynolds raised the bond portion of its model from 35

# Tate & Lyle profits rise 23%

By Roderick Oram, Consumer Industries Editor

A strong performance from US cereal sweeteners and starches helped Tate & Lyle overcome weaker US sugar markets and modest growth in Europe to report a 23 per cent rise in pretax profits to a record £273.8m (\$449m) for the year ended Sep-

The main factor behind the rise was the turnround at Staley, the US subsidiary it acquired in 1988 for \$1.2bn. It reported a record profit thanks to higher volumes, strong demand particularly from the soft drink makers, new uses for starch and lower costs. The upturn came after several verse of labour disputes over the

practices at its Decatur, Illinois Staley's profits, however, ers and starches rose 5 per cent Lex. Page 16

introduction of new working

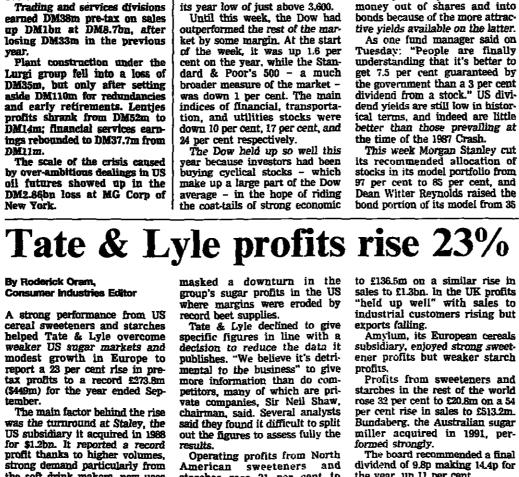
starches rose 31 per cent to £147.6m on sales ahead 13 per cent at £1.64bn. In the past the group gave separate figures for cereal sweeteners and starches. US sugar and Canadian sugar. European profits from sweeten-

sales to £1.3bn. In the UK profits "held up well" with sales to industrial customers rising but

the year, up 11 per cent. Earnings per share were up 13 per cent at 37.1p fully diluted against 32.7p a year earlier, reflecting higher minorities and a

tax charge of 27 per cent against





# Stora surges on stronger demand | Sales at

Stora, Europe's biggest pulp and paper group, yesterday announced a SKr2.04bn (\$277m) pre-tax profit for the first nine months, a seven-fold increase on last year's SKr294m.

Higher volumes, lower financial costs, the weak krona and capital gains all contributed to the surge. Mr Lars Ake Helgesson, chief executive, said the group had benefited from higher prices during the third quarter.

Average prices were up 1 per cent, with higher pulp, fine paper, newsprint and packaging paper prices offset by lower board, magazine paper and in European demand for the light-weight coated paper group's products ranges from 5

Mr Helgesson said the impact of higher prices would be greater in future, since prices for half the group's production volume were yet to improve. Prices for newsprint and uncoated magazine paper were due to rise by as much as 25 per cent from January, he

The upturn in pulp and paper demand means Stora is operating virtually flat out, with capacity use rising to 93 per cent from 89 per cent and

to 5.11m tonnes, The increase group's products ranges from 5 per cent for newsprint to 18 per cent for coated fine papers. The trend has helped to push up underlying sales by 11 per cent to SKr35.3bn

Operating income SKr2.94bn included one-off gains of SKr590m, arising mainly from the sale of the Tarkett floor material unit. The comparable 1993 figure was SKr1.55bn, when there were one-off gains of SKr188m.

The group's financial costs fell to SKr905m from SKr1.26bn deliveries climbing 6 per cent due to lower interest rates and

All of the group's divisions improved their performance, except for Stora Financial Services, where operating income dropped to SKr249m from last year's unusually strong SKr702m.

Stora Feldmühle lifted profits to SKr641m from SKr90m. while Stora Papyrus saw profits jump to SKr509m from SKr158m. Stora Power and Stora Building Products were the only divisions to remain in the red.

Analysts are predicting a full-year profit of more than SKr3bn after last year's

# Nestlé hit by strong **Swiss franc**

By Ian Rodger

Nestlé, the world's largest foods group, said sales in the first nine months were down 1.5 per cent to SFr45.9bn (\$35bn), mainly because of the strength of the Swiss franc. However, Mr Helmut

Maucher, chairman, forecast an increase in net income for the full year, partly attributable to extraordinary gains, and further increases in sales and profit in 1995.

Nestlé's sales volume rose 2.8 per cent in the first 10 months, well below its 4 per cent target.

Mr Maucher said the reces-

sion in Europe had affected important markets such as France, Spain and Germany.
Acquisitions added 2.1 per cent to the value of sales and price increases a further 1.7 per cent. However, the effects of the exchange rate knocked off 6.9 per cent, and a change in accounting for sales in inflation-hit Brazil shaved off

a further 1.2 per cent. The group will record a SFr620m after-tax profit this year on the sales of its interests in distributors of the French cosmetics group L'Oréal. Mr Reto Domeniconi, finance director, said SFr320m would appear as an extraordinary gain and the remainder would be transferred directly

Mr Maucher said two-thirds of sales growth in the past decade had come from acquisitions, but he foresaw a reversal of the pattern as sales from subsidiaries in developing countries expanded.

Capital spending was likely to be flat this year at SF13.1bn.

The group recently announced some 2,000 redundancies at three sites in the UK. Mr Ramón Masip, chief operating officer, said the cuts were "all that are foreseen in this country for the next few

# Thyssen returns to black but omits dividend again

By Michael Lindemann In Bonn

Thyssen, the steel-based conglomerate, said yesterday it was back in profit after the worst results in its 103-year history. However, it will not be paying a dividend for 1993-94.

The group reported a DM90m (\$57.9m) net profit for the year ended September 30, compared with net losses of DM994m the year before. Final figures for the year are expected in Janu-

Thyssen said a "satisfactory" dividend would be paid at the end of the present financial

The group last paid a dividend, of DM10, in 1992. Its recovery was driven mainly by a turnround in the European car industry and the growing demand for invest-

ment goods as Germany

emerges from its worst post-war recession. Restructuring over the past two years, especially in the steel division, also

helped to lift productivity. Turnover for the year rose 4 per cent to DM349, up from DM33.5m, while orders increased 8 per cent

Budd, the US subsidiary, saw turnover rise 17 per cent during the review period, helped especially by strong sales of pick-up trucks and minivans, which are the group's special-

More jobs are expected to be shed in the coming year, mainly in the steel division, which represents about 30 per cent of group turnover and was the main cause of the recent

Steel sales rose 3 per cent to DM11bn during the period. Although the steel division has been reporting monthly profits

for the year as a whole, even though plants are working that out and cannot meet the mier. pectedly strong demand for

some products.
Thyssen employed 123,389 people at the end of the period about 5 per cent less than a

year earlier. year earlier.

The group expects to shed another 4,000 steelworkers by the end of 1995, bringing the steel division's workforce to about 22,000, down from 30.858in September 1993.

• The Steel Federation and new orders at German steeling. kers in the third quarter rose 16.4 per cent, to 9.5m tonnes, over the same period a year

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However, the figures represent a drop of 0.8 per cent against the second quarter. from China.

# **BK Vision** to pursue **UBS** action

BK Vision, the investment fund that is the largest shareholder in Union Bank of Switzerland, is determined to go ahead with a legal challenge to the UBS shareholders' vote in favour of converting registered shares into hearer shares. UBS yesterday appealed to

dissident shareholders not to block the introduction of the new share structure. It pointed out that a clear majority - 57.8 per cent of the registered shares voted at an extraordinary meeting on Tuesday endorsed the change.

Under the new structure, the voting strength of the registered shares, now five times that of bearer shares, would be slashed to equal bearers.

UBS said the majority support from registered shareholders was a strong argument against the granting of an injunction to BK Vision to block the implementation of the conversion.

BK Vision, controlled by Mr Martin Ebner's BZ banking group, has argued that registered shareholders should have been allowed to vote separately

Mr Kurt Schiltknecht, a director of BK Vision, maintained there were several other grounds for contesting Tues-

Investors seem to believe BK Vision will win the injunction

# Générale des Eaux names Messier as heir-apparent

By David Buchan in Paris

Mr Jean-Marie Messier, a 37-year-old investment banker, was yesterday named number two at Compagnie Genérale des Eaux, the French utilities group, in the expectation that he will take over at the FFr147bn-a-year (\$27.6bn) business from Mr Guy Dejouany, CGE's veteran chairman and

chief executive, in 18 months. CGE said that the decision to co-opt Mr Messier to the board as a director-general was taken unanimously, therefore with

the apparent approval of Mr

head of Peugeot, the carmaker, had earlier threatened to resign from the CGE board if so young a man with little experience of the group's business were "parachuted" into so high a position.

Mr Calvet left Paris on a

Jacques Calvet, Mr Calvet, the

business trip immediately after the CGE board meeting. A CCE statement made clear Mr Messier was being groomed to succeed Mr Dejouany, who has run CGE for the past 18 years and who is due to retire

It said Mr Messier "will have

very broad delegated powers, under the control of Mr Dejouany. He will head a new internal executive committee to prepare important decisions and a new subcommittee of the board dealing with corporate strategy and development. This puts him above Mr

Paul-Louis Girardot, the only other CGE director-general to be a board member. Mr Girardot was known to be unhappy with Mr Dejouany's decision to pass him over by

choosing someone much

# Granada may expand in Europe

By Raymond Snoddy in London

The Granada group is considering expansion in continental Europe through

acquisitions in catering and services. The new focus was revealed yesterday as the UK television. leisure and services group

announced a record pre-tax profit of £265m (\$434.6m) for the 52 weeks to October 1 - a rise of 51 per cent. Granada, following the failure of its attempts to acquire Gardner Merchant, the cater-ing group, is faced with the prospect of increasing profits

and a debt-free business within

three years if it makes no new

significant acquisitions. Mr Gerry Robinson, Granada's chief executive said: "We might look at European motorways, European catering businesses and public cater-

The group, one of the largest independent television companies, owning Granada Television and London Weekend Mr Robinson was also Television, can add little to its bullish about the future. He UK television interests without a change in regulations.

Mr Robinson said: "The most likely outcome is that we don't have acquisitions over the next 18 months. I would like that not to be true but it will only not be true if we find the right thing." He conceded the company

might eventually have to return more money to shareholders if the right deals do not come along.

Yesterday, Granada reported strong growth in its existing businesses and in the year's two most recent large acquisitions, Sutcliffe Catering and

said the company looked forward to 1995 with confidence "In our ability to improve margins and with expectation that our own capacity to generate organic growth from our principal businesses will be enhanced by an improving economy".

to the balance sheet.

years"

● Mr Maucher said yesterday Nestlé was interested in buying the European petfood activities of US breakfast cereal manufacturer Quaker

# National Grid raises payout

Analysts warned against

By Michael Smith in London

The National Grid, the England and Wales power transmission company, is to increase its interim dividend to the regional electricity compa-nies which own it, by 17 per cent to £54m (\$84.8m). The Grid is expected to be floated on the stock exchange next summer.

The rise is in spite of a 6 per cent fall in pre-tax profits, to £267.1m from £285.3m. The fall was blamed partly on a £33.3m premium paid on the early redemption of £300m of governdrawing strong conclusions about the full-year dividend. However, most said the results were in line, or slightly above, expectations, after taking oneoff factors into account. Most analysts were impressed by a 10 per cent cut in controllable costs at the core business. The flotation price of the

company will depend on how much debt the regional electricity companies put into the National Grid. One analyst said £4.2bn seemed the base figure, with the likelihood that it could be as high as £5en.

The regional electricity companies are discussing flotation with the government, which holds a golden share in the National Grid, and are likely to announce details within the next few months.

The flotation is likely to be a demerger, whereby shareholders in the regional electricity companies are given new shares in the grid. The regional electricity companies are expected to load the company with debt of about £750m to help pay a fibn tax bill and consumer relates of more than

# AT&T confirms interest in Bull

AT&T, the US telecoms group, has denied it would only take a stake in French computer group Groupe Bull if the French government made more concessions in opening up its markets, Reuter reports from

Paris.
"Those are separate issues," AT&T said yesterday. "We are willing to take a stake in Bull and we are whole-heartedly in favour of the opening up of

telecommunications markets

in France and other countries

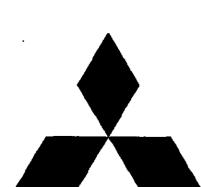
where we cannot operate. "The European Union decided on Friday to end the telecoms monopolies by 1998, and that's fine with us. Of course, we would like to see it happen earlier."

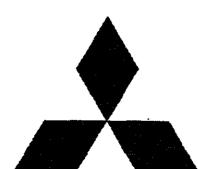
However, AT&T has indicated it would like to see France make concessions before the US Federal Communications Commission approves a proposed link-up between state-owned operators France Telecom and Deutsche

Telekom and Sprint, the US long-distance operator.
"We made a filling to the FCC

on Friday saying we would welcome such a link up - provided we were allowed to do similar business in France and Germany," AT&T said. • France Telecom, a 17 per cent shareholder in Groupe Bull, said it would inject FFr561m (\$105.2m) into the computer maker before the end

of the year, ahead of its privati-





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In accordance with the torms and conditions of the Notes, the interest rate for the period 28th November, 1994 to 27th February, 1995 has been trued at 6.1875% per annum. The interest payable on 27th February, 1995 will be U.S. \$15.640625 per U.S. \$1.000 nominal.

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is hereby given: Interest Period: November 23, 1994 to May 23, 1995 (181 days) Coupon Amount: U.S.\$ 151.15 per U.S.\$ 5,000 Note U.S.\$ 3,022.95 por U.S.\$ 100,000 Note Payment Date: May 23, 1995

Frankfurt/Main, November 1994 COMMERZBANK A

000,000,000 HMC MORTGAGE NOTES IT PLC Floating Rate Notes due 2021 Notice is hereby given that there will be a principal payment of \$23,560 per \$25,820 Note on the interest payment data December 14, 1994. The principal amount outstanding per Note will be \$22,260. By: The Chese Manhatten Bank, N.A. London, Agent Bank November 24, 1994

ITOCHU CORPORATION ANNOUNCE THE FOLLOWING It was resolved at the Board Meeting held on 16th November, 1994 that the laterim Dividend for the year couled 3th March, 1993, shall be paid to the Shareholders of record as of 3.00 Yes per share og and after 9th December, 1994. The Semi-Agental Report for the six months cauled 30th September, 1994 will be available at Hambros Bank Limited and Banque Internationald a Luxen-bourg by the end of December, 1994.

NOTICE OF PURCHASE

Caisse Nationale de Credit Agricole U.S.\$100,000,000 Zero Coupou Notes due

10th February, 1997 (the "Notes") Noteholders are hereby informed that the Issuer of the Notes has the intention to re-purchase the Notes at a price to be agreed between Caisse Nationale de Credit Agricole and the ebolder per U.S.\$1,000, 10,000 or 100,000 denomination on or before 2nd December, 1994.

IBJ international plc will be acting as arranger for Caisse Nationale de Credit Agricole. Noteholders are requested to contact IBJ International pic attention: Capital Markets Department fax no: 071 236 0484. All Notes to be redeemed should be presented for payment and

will be payable as provided in the Conditions of the Notes.

**LEGAL NOTICES** 

No. 606533 of 1994 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION MR REGISTRAR BUCKLEY

IN THE MATTER OF THE BIRKDALE GROUP PLC in the matter of The Companies act 1985 UPON THE PETITION of the above-musted The Birkslake Group PLC theremather called the "Company" whose Registered Office is simulated at \$2.54 Bacadovick Street, London WIV 1FF presented to this Court on I lith October, 1994.

AND UPON HEARING COursel for the AND UPON READING the said Perking and THIS COURT DOTH ORDER that the reduction of the stare premium accessed of the Company by £3,754,000 resulved on and effocted by a Special Resolution of the Company passed on Thi September 1994 be and the Estage is breely confirmed in accordance with the provisions of the above-mentioned Act.

AND IT IS ORDERED that this Order be produced so the Registrar of Companies and that an office copy bereaf be delivered to him.

AND IT IS ORDERED that notice of the regestration by the Registrar of Companies of this Order be published once in the Financial Tipers newspaper within 21 days after such materials.

Dated this 16th day of November 1994.

IN THE HIGH COAIRT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF THE COMPANIES ACT 1985

No. 667250 of 1994

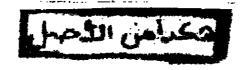
NOTICE IS HEREBY GIVEN that a Perkins was on 9 November 1994 presented to you her Majesty's High Court of Justice for the confirmation of the reduction of the share presumm account of the above-asseed Company by £1.430,861. AND NOTICE IS FURTHER GIVEN that the said Polition is directed to be heard before Mr. Registrar Backley at the Royal Courts of Justice, Strand, London WCLA QLL, on Wednesday the List day of Protection 1904.

ANY Creditor or Shareholder of the said Campany desiring to oppose the making of an Order for the condamnation of the cald reduction of capatis shauld appear at the time of hearing is person or by Coursel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermeathmed Solicitors on payment of the regulated charge for the same.

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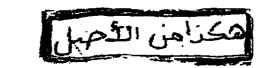
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Carried Control of the State of

zinc refinery, also in Belgium.
In February, UM sold its
Union Zinc subsidiary in the
US to Savage Resources of Australia for US\$200m. Flotation of the Swedish zinc subsidiary will round off this rationalisation process.

#### INTERNATIONAL COMPANIES AND CAPITAL MARKETS

# ANZ beats market expectations

Australia and New Zealand Banking Corporation, the last of the big Australian banks to report earnings for the year to end-September, yesterday surprised the market with an A\$803.2m (US\$613.1m) profit after tax but before abnormals.

The figure compared with A\$459.7m in the previous year. Including abnormals, the profit was A\$821.9m, up from A\$246.5m. Earnings per share rose sharply - from 30.8 cents to 54.5 cents, on a pre-abnormals basis.

The final dividend is 14 cents (unfranked), compared with 10 cents a year ago, making a total for the year of 25 cents, up from 20 cents.

metals group

Swedish arm

Union Minière, the Belgian

metals group, is to reduce fur-

ther its interests in the zinc

business by floating Amme-

berg Mining Corporation, its

Swedish mining subsidiary, on

the Stockholm stock exchange

on terms which value it at

UM plans an initial public

offering of nearly 11m Amme-

berg shares, or 95 per cent of

the company, at between

SKr103 and SKr112 each.

Underwriters have the option

to buy additional shares to

no further ownership interest

shares available will be

offered in Sweden, including

about 5 per cent to retail investors. It is scheduled to be

completed by mid-December.

Ammeberg operates the

Zinkgruvan underground

mine, in south central Sweden, which opened in 1857 and last

year produced about 63,000

tonnes of zinc, 15,000 tonnes of

UM said last year it wished

to give up its role as the

world's biggest zinc producer. It has closed its zinc refining

plant at Overpelt in Belgium,

and last year cancelled plans

to double capacity at its Balen

This announcement appears as a matter of record only.

in Ammeberg.

SKrl.39bn, UM said.

about SKr1.26bn (\$170m).

Belgian

to float

By Kenneth Gooding,

Mining Correspondent

The result was ahead of analysts' expectations, which had been pitched slightly below A\$700m. The shares jumped & cents to A\$3.75, helping to raily both the banking sector and the Australian stock market which had been rocked by Wall Street's overnight plunge.

ANZ said the result came on the back of strong income growth and a sharp fall in the charge for doubtful debts. It noted a particularly strong recovery in the profits from its core Australian operations, which contributed A\$456,8m to the group's total compared with A\$199.9m previously.

International operations con-tributed A\$250.7m, against A\$163.9m, while the New Zealand business remained

stable, with A\$95.7m. ANZ said the charge for bad and doubtful debts fell to

A\$381.4m, from A\$633.7m a year ago, with Mr John Gough, chairman, describing the asset quality issue as "well under control". Net impaired assets at end-September were A\$1.93bn, down from A\$2.7bn in 1993. Operating expenses

increased by A\$3.9m, with a reduction in premises and com-puter costs being offset by higher personnel and other

This meant the ratio of operating expenses for net operating income stood at 66 per cent, down from 69.2 per cent in the previous 12 months. ANZ McCaughan, the

made A\$14.4m, up from A\$5.3m

in Melbourne, Mr Don Mercer, managing director, said ANZ hoped to overtake National Australia Bank - the strongest of the large Australian banks - in terms of returns on shareholders'

"I fancy our chances of pass ing our major competitors on return on shareholders' equity," he commented. although ANZ achieved only 15.2 per cent last year, com-pared with NAB's 17.5 per cent. He added that ANZ had no large acquisition plans, nor was it looking to divest any significant elements of its

# **Indian Shaving Products** ahead at Rs341.1m midway

By Shiraz Sidhva in New Delhi

Indian Shaving Products, a joint venture between Gillette of the US and the Calcuttabased Poddar group, yesterday announced a 150 per cent rise in net profit for the half-year to September 1994 on the back of a 20 per cent increase in sales.

The company said net sales for the first half of the financial year rose to Rs341.4m

(\$10.9m) from Rs285.5m a year ago, with strength in both the domestic and export markets. While domestic sales grew 18

per cent to Rs301.2m, export sales were up 35 per cent to Rs40.2m. Gross profits increased to Rs54.8m from Rs43.3m, a rise of

27 per cent. This was achieved after investing Rs42.1m in advertising and other marketing activi- higher net profits this year.

ties. Net profits increased 150 per cent to Rs28.5m, after providing for a depreciation of Rs14.8m and interest of Rs11.5m.

In 1993-94, the company wrote off the difference in exchange on a long-term advance received from Gillette, resulting in a loss of Rs17.6m, and therefore there was no exchange loss in this period. This contributed to sharply

# Strong advance at ICI India

cover over-allotments and, if ICI India, a subsidiary of this is taken up, UM will have Imperial Chemical Industries of the UK, yesterday announced a 77 per cent increase in gross profits for the Gross proceeds from the offering before the exercise of first six months to September over-allotment options and and a 15 per cent advance in turnover for the period, commissions were expected to

The company's profit before tax increased to Rs254.3m be between SKr1.2bn and The offering will consist of (\$8.1m) from Rs47.4m last year. retail and institutional offer-Net sales increased to Rs2.82bn ings in Sweden and an international institutional offering. About 30 per cent of the

improved trading conditions and the intrinsic strengths of the diversified product portfolio of the company.

Gross profit after the deduction of interest but before depreciation and taxation increased to Rs341.6m from Rs192.5m last year. The company said the explo-

sives business continued to suffer from low prices in an oversupplied market. With this exception, the company's other from Rs2,36bn reflecting businesses contributed to the

large upturn. The restructuring of the company's portfolio resulted in a steep reduction in interest costs and the effective elimination of debt.

ICI India said it had restructured the seeds business during the half-year, resulting in a profit of Rs13.2m. Profit after tax rose 59 per cent to Rs150.5m, in spite of the fact that the previous period included a large gain from the disposal of the company's

# Astra International gains 84%

Astra International, one of the largest business groups in Indonesia, surprised the market with an 84 per cent rise in net profits for the first nine months of the year, Reuter reports from Jakarta.

profits of Rp186bn (\$88m) against Rp101.93bn a year ago, on sales of Rp6,282.32bn, against Rp4,110.47bn.

"The impressive result was due mainly to higher automotive sales, which accounted for about 75 per cent of total sales," Mr Jos Parengkuan, an analyst with Lippo Securities

"But gross profit rose only 41 per cent due to a lower gross margin, which resulted from the strong Japanese yen."

He said average gross margins edged up to 18 per cent in the third quarter from 17.4 per cent in the first half. Meanwhile, the Bisnis Indon-

esia newspaper reported yesterday that Astra would secure a \$200m loan from a syndicate of several Singapore-based Japanese hanks It said the loans would be

used to finance Astra's expansion programme in agriculture and financial services.

Mr Rini S. Soewandi, the company's finance director,

was quoted as saying that agriculture currently contributes about 4 per cent of the company's total revenue.

Mr Rini said that Astra had

planned to raise \$200m through bonds to be issued in the US

with interest rates of between 9.5 per cent and 10 per cent. That plan was postponed as several Indonesian companies were reported to have issued Yankee bonds with higher interest rates. According to the company.

the syndicated loan agreement is expected to be signed in Singapore on December 16. Semen Gresik, Indonesia's is to acquire Semen Padang and Semen Tonasa, the other two state-owned cement companies, early next year prior to listing its shares offshore, Antara, the official news agency, said yesterday, AP-DJ reports from

No details were revealed.

#### **NSK** in joint venture with **US** group

By John Griffiths NSK, the Japanese motor

components and bearings group, is forming a joint venture with Ingersoll-Rand, the US multinational, to launch a broader attack on Europe's 15m-plus units a year market for vehicle steering columns. The equally-owned venture, Nastech Europe, initially will pool the resources of Torrington, Ingersoll-Rand's automo-tive subsidiary, and NSK's

ing facilities in the UK. Later they will consider adding capacity in continental Europe. Torrington employs 400 people at Coventry and NSK employs 160 people at Peterlee in north-east England. The two plants have a combined turnover of £35m to £40m (\$22.3m-\$25.5m) a year.

steering column manufactur-

Torrington supplies traditional European customers such as Ford and Rover. The Peterlee facility supplies mainly Japanese transplant operations, notably Nissan at Sunderland, Toyota in Derby shire and a Suzuki venture in

Together they account for about 15 per cent of Europe's steering column market, according to Mr Chris Thomas, the new company's managing

Large independent rivals include ZF of Germany. But

director.

Capital

about 50 per cent of demand is currently met by vehicle makers' in-house production. However, executives of Nastech Europe, which will start operations early next year, say they believe that the trend of vehicle manufacturers increasingly to out-source components should provide good growth opportunities in the sector.

#### Padua bank | ACT clears a path through seeks 81% risk-management minefield of Credito Lombardo

the use of these complicated

financial instruments has nur-

tured an impression that com-panies cannot handle them. The ACT believes that the

problems lie not so much in

the complexity of the products

as in a failure of control at a

very basic level. The organisa-

tion, which groups corporate

treasurers from the UK's larg-

est companies, elevates one

simple recommendation above

all: "Strategies, policies and

procedures for the use or trad-

ing of derivatives must be

clearly agreed by senior man-

agement and at least endorsed by the board of directors."

tions say they only use deriva-

tives to hedge, or lay off their risk. But Mr Derek Ross,

author of the paper and ACT

chairman, argues that hedging

is an ambiguous concept which needs to be pinned down. A

dealer takes a view of the mar-

ket when deciding when and

for how long to hedge.

The ACT policy document holds that management must

not only agree a clear policy

but "monitor and report all

derivative activities, positions

and exposures". That reads

like a rather trite sentiment,

but a basic failure of supervi-

sion lies behind many of the

Another important point is

the need to provide for an

internal check on treasury and

dealers. This separate risk

management function should

ensure compliance with limits

to exposure and independent

Some treasurers maintain

that the ACT's recommenda-

tions are over the top and the

public hysteria is overheated.

The sanguine view is that derivatives, complex and mis-understood as they are, get more than their fair share of

blame for losses. For every

loser there is a winner, ana-

reporting to management.

recent corporate losses.

Most non-financial corpora-

of Corporate Treasurers' guide-lines on risk management and control of derivatives could hardly have been better timed. A succession of losses through

Banca Antoniana, a Paduabased bank, is negotiating with Monte dei Paschi di Siena, Italy's oldest bank, to buy an 81 per cent stake in Credito Lombardo, Monte dei Paschi's quoted subsidiary, for about L240bn (\$149m).

Credito Lombardo, based in Milan, has only 13 branches, but the acquisition would fit into Antoniana's strategy of extending and strengthening its network of 127 branches across north and north-east

The operation is part of the continuing shake-up in Italian banking, in which Antoniana has played a small role. The Padua bank is one of four small banks from the Veneto region which decided this mouth to sell their joint 13.52 per cent stake in Banco Ambrosiano Veneto to other shareholders, in effect block-ing a bid for control by Banca Commerciale Italiana.

Monte dei Paschi said on Tuesday that the sale of its Credito Lombardo holding should be completed by the

end of the year.

Antoniana will have to launch a full bid for the outstanding shares on the Italian market at the same price of about L4,400 a share. Trading in Credito Lombardo's shares was suspended on Tuesday morning, having risen 5 per cent on Monday to L3,588. They remained under suspension yesterday.

#### **Incentive buys** German cycle unit

Incentive, the Danish industrial group, said it had acquired the bicycle accessories activities of German's Union Dortmund. The unit has turnover of about DKr250m (\$41.1m), writes Hilary Barnes in Copenhagen. Incentive owns a Danish

lysts stress, but the winners cycle-lamp company, Basta, stay silent. Companies have proved per-fectly capable of losing large and Soubitez, the French dyna-mo-lamp manufacturer, and said the acquisition would make Incentive a world leader sums of money, not on exotic derivatives, but simply because in cycle lights. of movements on underlying

and Lyons lead the list of examples. Only rarely is it mentioned that a company should have used derivatives to hedge its exposure.

There may be no boardroom panic about derivatives but there is concern. For a start, about one-tenth of UK treasury departments still trade for profit, according to surveys of

#### DERIVATIVES

corporate treasurers, and that can also expose them more to losses. Speculating treasurers can always do damage but highly leveraged derivatives can allow them to wreak particular havoc.

It is also possible to lose money on a standard but mis understood hedge. A company can misjudge its underlying exposure. It could, for example, over-estimate its sensitivity to interest-rate movements and over-compensate. And some treasurers still

experiment with complicated instruments which are beyond them. "There is very good and strong sales pressure," says Mr Les Halpin, of Record Treasury Management, the risk management research company. "And it is natural human nature: a treasurer wants to try things

The roll-call of corporate losses on derivatives is nevertheless having a salutary effect on practices. "It will make people that much more cautious, that much more diligent," says Mr Paul Reynlers of accoun-

tants Coopers & Lybrand. Ahead of the ACT guidelines a trend towards more robust and explicit controls is already in evidence. Some companies have, for example, restricted the use of certain instruments

such as the short option. Corporate treasurers are evaluating their positions more frequently. This practice of "marking to market" can be misleading, some companies claim, and some of the more complicated instruments are hard to value. The Record survey showed only 28 per cent of surveyed corporate treasurers marked to market every day or week. Marking to market is nevertheless becoming more common as a guide. Management can rein in

pany," says Mr Reyniers. Companies are therefore tending to insist that units, as well as filing the usual monthly balance sheet, also state their offbalance sheet positions.

Corporate treasurers and board members are also taking to heart the message that they should not be using derivatives if they do not understand them. "If you don't know what you are doing you are dead," says Mr Richard Desmond, corporate treasurer of BAT Industries, the UK tobacco and financial services group.

many of the most crippling

derivatives losses have been

inflicted by rogue subsidiaries.

"There are people in subsidiaries that can sell the com-

Some clients have blamed their misapprehension on investment banks for giving bad advice. Fewer than half of the corporate treasurers interviewed by Record said sellers of derivatives explained their products adequately. In the US both Procter & Gamble and Gibsons Greetings have sued Bankers Trust, a leading deriv-

atives dealer. However, companies' dominant reaction has been to put their own house in order. While there has been no obvious fail-off in overall use of derivatives, a gentle shift has taken place: from the captions and swaptions that bewilder the uninitiated towards simple, "plain vanilla" products that can be easily explained to

superiors. Explanation is easier if executives have solid basic knowledge. Workshops, seminars and conferences on derivatives for corporate treasurers have proliferated. A finance director attending one accountancy firm's course said: "My treasurer wants to use more derivatives. I just don't feel comfortable. She could be doing something crazy and I would

never know." Of course a board may endorse a risky move in the derivatives market. In that case there are no guarantees. The most Mr Ross can do is to argue: "If a company wishes to adopt such a hazardous policy it should at least be disclosed

**Nicholas Denton** 

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October 19, 1994 40 billion yen · Mr. Yasuo Noda The Dai-Ichi Kangyo Bank, Limited (100%)

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DKB SECURITIES CO., LTD.

#### (To be renamed as Telenor AS from 1st January 1995) USD 700,000,000 **Revolving Credit Facility** Chemical Bank Den norske Bank AS Chemical Bank Dresdner Bank Luxembourg S.A. The Fuli Bank, Limited Union Bank of Switzerland Bayerische Landesbank Girozentrale The Bank of Tokyo, Ltd. The First National Bank of Chicago Credit Suisse The Mitsubishi Bank, Limited Handelsbanken AS Morgan Guaranty Trust Company of New York Nomura Bank International plc Banque Nationale de Paris Norge A/S ABN AMRO Bank N.V. Copenhagen B. Barclays Bank PLC Citibank, N.A. Den Denske Bank Den norske Bank AS

By Bernard Simon in Toronto

Creditors of Olympia & York,

the failed Canadian property

developer, have found an out-

side investor to inject badly-

needed capital into Gulf Can-

ada Resources, the oil and gas

producer formerly controlled

Torch Energy Advisors, a Houston-based investment

management group, will pay

C\$300m (US\$214m) for 55m

newly-issued units, each com-

prising one Gulf common

share and a one-quarter war-

rant to buy one share at

C\$6.25 over the next two

years. The warrants, if exercised, would raise another

The deal will allow the inter-

national lender group, led by Hongkong and Shanghai Banking Corporation, Crédit Lyonnais, Royal Bank of Can-ada and Dai-Ichi Kangyo, to

cut its stake in Gulf Canada to

52 per cent from 70 per cent. Torch will have a 25 per cent

Torch also has an option

until December 9 to make an offer for Gulf shares held by

the banks and other share-

holders for C\$5.38 each. This is

significantly higher than the C\$4.50 at which Gulf shares

were trading on the Toronto

stock exchange immediately

**O&Y** pledged its Gulf shares

to the hanks as partial collat-

eral for a US\$2.5bu syndicated

loan. The banks seized the

shares when O&Y collapsed in

Mr Ken Croft, analyst at

Levesque Securities in Cal-

gary, said the banks have

faced a dilemma: "They believe there's more value in

the company than the current

share price suggests. But to realise that gain would require

someone to put in extra

operations in western Canada,

northern Russia and Indon-

esia. It produced an average of

93,500 barrels a day of liquids and 296m cubic feet of natural

gas in 1993. But the company

has lost more than C\$400m

since 1990, and has C\$1.7bn of

has extensive

Gulf

prior to the announcement.

by O&Y.

#### Deal lifts Continental Cablevision's network to 4m subscribers

# US cable-TV group in \$1.4bn buy

By Tony Jackson in New York

Continental Cablevision, the third largest US cable-TV company, is to buy the cable operations of Providence Journal in a deal valued at \$1.4bn.

Continental, which is privately owned, also plans to go public when the deal is closed next year.

The cable properties of Providence Journal, a diversified communications company which is also privately owned, are in seven states across the USA. Five of them are close to Continental's cable operations,

Videotron falls

despite 10%

sales increase

By Robert Gibbens in Montreal

Expanding cable TV operations in Canada and the UK enabled

Videotron to report a 10 per

cent rise in revenues for the

year ended August 31, but

higher depreciation and con-

tinuing problems in domestic

broadcasting depressed profits

Net profit was C\$20.5m

(US\$14.6m), or 11 cents a share,

down from C\$25.1m, or 15 cents

a share, a year earlier on revenues of C\$641m against

heavily in its cable and tele-

communications franchise

areas in southern England.

leading to higher depreciation

However, Videotron said the

UK unit would contribute more

in 1995 and eventually be a sig-

nificant source of income and

Videotron will also start up a

trial commercial cable/multi-media system in Quebec this

autumn and is expanding rap-

Newbridge Networks, a spe-

cialised telecommunication

equipment maker, posted a

second-quarter profit of C845.3m, or 56 cents a share.

on sales of C\$191m, up almost

50 per cent. First-half profit

was C\$87.2m, or C\$1.08 a share,

up from C\$69.1m, or 87 cents,

on sales of C\$363m against

and amortisation.

cash flow.

idly in the US.

Videotron has been investing

The purchase will add 750,000 subscribers to Continental's network, giving it a total of about 4m. This still leaves it in third place after Tele-Communica-

the companies said.

tions Inc and Time Warner. Continental will take on \$755m of debt and issue stock to Providence valued at about \$645m. It is believed this will give Providence 18 per cent of

Continental's equity. Some 55 per cent of Conti-nental will then be owned by the company's founder, Mr Amos Hostetter, and by fellow executives, with the balance

French companies are more

strategic in their acquisition of

businesses while their UK

rivals are more obsessed with

detailed numbers, according to

a survey published yesterday by Coopers & Lybrand, the UK

More than half of the French

companies surveyed consid-

business as the principal rea-

son for buying others - at the

expense of carrying out much

financial analysis, the survey

Acquirers tend to be haphaz-

ard in the way they buy other companies, with time frames

ered consolidating their core

held by institutions. The subsequent flotation is planned for the middle of next year.

Continental refused to comment vesterday on reports that it had considered and then dropped a separate plan to give a substantial share of its equity to US West, the regional telephone operator.

Continental has so far

avoided the general move by the big cable companies into the US telephone market. Last month TCI joined forces with Comcast and Cox - the fourth and sixth biggest cable operators - and Sprint, the

the target business. In one-

third of cases, there was no

due diligence to assess the

companies, and one-third had

no direct contact with the tar-

of Coopers' French market sec-

tor group, said: "British acqui-

sitions are all very calculated

while the French make their

decisions on strategic grounds.

intellectual approach to doing business. Both have their

believe it reflects a different

The findings were based on

interviews with a representa-

tive sample of executives in

French and UK companies.

Mr Alec D'Janoeff, chairman

get before making an offer.

nications licences. Time Warner is entering the telephone market independently, and also has an alliance

with US West. The latest deal illustrates the trend in the cable industry towards consolidation. This results from competitive pressures between cable and telephone operators and from recent government-imposed

subscribers. Other smaller cable companies are believed to be looking for alliances with larger

cuts in prices charged to cable

# long-distance telephone com-Study highlights differences in

#### French and UK acquisitions These showed that 70 per cent of French companies did not and deadlines often imposed by develop a plan to cope with integration until after an

acquisition had taken place. In three-quarters of the cases studied, the mergers and acquisitions had been supported by the target's board of directors and was not in any way hos-

Mr D'Janoeff said one of the implications of the study was that UK-based multinationals should be prepared to pay a premium when acquiring French businesses if they wanted to be able to compete against French rivals interested in a target primarily for

# Capital increase for Von Roll

advantages.

By Ian Rodger in Zurich

Von Roll, the troubled Swiss steel and engineering group, said it would slash its SFr184m (\$140m) equity capital by 90 per cent and then increase it to SFr190.9m through a rights issue to shareholders and bondholders.

This is the second significant restructuring programme in less than a year for the group, in which Proventus, the Swed ish industrial investment group, has a 28.1 per cent

Von Roll said in a statement

that this latest capital injection was made necessary only by continuing troubles at its toxic waste disposal plant in the US. Other operations were recovering as planned

The waste plant's start-up last year came two years late because of blocking manoeuvres by environmentalists, and some of its sensitive equipment froze during a cold snap last

Recently, it has suffered from a slump in the market, and Von Roll said yesterday that it would continue for some time to incur losses.

The registered shares and participation certificates would be abolished, creating a single class of SFr10 bearer shares. Shareholders would be given

a subscription right to the upcoming capital rise at the rate of 11 new shares at SFr25 for each SFr100 nominal of existing capital. The board would be reduced to five from the current nine members.

Von Roll said it would suffer a loss this year, its fourth in succession, but expected to report a modest group net profit in 1995 and a satisfactory profit in 1996.

#### **Creditors of NEWS DIGEST O&Y** find

#### Metsä-Serla to investor for invest FM2bn in paper machine energy unit

Metsä-Seria, the Finnish pulp and paper group, plans to invest FM2bn (\$421m) in a new paper machine at its Kirkniemi plant in Finland, writes Christopher Brown-Humes in Stockbolm. The machine, due to begin operations in late 1996, will be able to produce 300,000 tonnes a year of double-coated fine paper.

This will raise the company's total annual capacity for graphic printing papers to im-

Mr Timo Poranen, chief executive, said the investment was based on rising demand for coated offset printing papers, where growth of more than 5 per cent a year was expected between 1994 and 1998. He stressed the group intended to maintain a strong balance

This is one of the biggest single capacity additions to be announced by a Finnish forestry group in the past three years. However, it may increase fears that the industry is heading for a new investments boom now that it is back in profit and prices

are rising strongly.

The downturn in the pulp and paper cycle between 1991 and 1993 was mainly caused by

#### Karstadt warns of 'marked fall' in profits

Karstadt, Germany's biggest retail group, yes-terday warned there would be a "marked fall" in profits for the year because of stagnant consumer demand, writes Michael Lindemann in Bonn.

The group said turnover had risen 30.8 per

cent to DM19.4bn (\$12.48bn) in the first nine months of the year following the takeover of Hertie, the country's third-biggest retailer. Sales at Karstadt itself fell 5.8 per cent to DM8.45bn, while Hertie's turnover dropped 2.8 per cent to DM3.27.

Karstadt's travel services were virtually the only sectors able to report sales increases. While most of the German economy is pulling out of its worst post-war recession, retailers have yet to benefit.

Next year is not expected to improve because of new taxes and a national pay round which is not seen as likely to boost wages

#### Hong Kong exchange chooses DTB system

Hong Kong has chosen the trading and clearing system of the German futures and options market, Deutsche Terminbörse (DTB), for its planned traded options market, the DTB said, writes Andrew Fisher in Frankfurt.

Mr Edgar Cheng, chairman of the Hong Kong exchange, said DTB's system had been selected as the most suitable for the Hong Kong market after it had also looked into

CSA adopts a new flight plan

many other systems. "The stock exchange will now be able to move ahead towards the introduction of our traded options market in the third quarter of next year," Mr Cheng said.

Mr Jörg Franke, DTB general manager, who signed the contract with Mr Cheng yesterday. said this was the first step in a long-turn relationship between the two exchanges. He said the system developed by DTB, the world's largest fully computerised options and futures exchange, had handled more than 600,000 contracts a day at peak times.

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#### McLeod Russell takes control at UCI

McLeod Russell, part of the Khaitan group tea plantation group, yesterday completed its pur-chase of a controlling interest of Union Carbide India (UCI) when it paid Rs2.9hn (\$92.45m). for the 50.9 per cent holding held by Union Carbide Corporation of the US, writes Kunal Bose in Calcutta.

The payment was received by Sir Ian Percival, trustee of the Bhopal Hospital Trust to which Union Cartride had entrusted the controlling block of UCL Sir Ian said: "The Trust will now get down to building a Rs1.2hn hospital for the victims of the 1984 Bhopal gas

McLeod Russell will now be making an offer to buy the shares of UCI from the minority shareholders at Rs175 a share, the price it paid for the Union Carbide holding.

In the first six months to September 1994. UCI made net profits of Rs79m, against Rs55m in the same period last year. Turnover rose to Rsl.7bn from Rsl.58bn. The company has about 45 per cent of the Indian dry cell battery

#### Bankwest advances ahead of sell-off

The Bank of Western Australia, which is due to be privatised by the state government but already has an unwanted buyer in the form of the smaller Challenge Bank, yesterday announced a profit after tax and almormals of A\$82.7m (US\$63.12m) for the year to the end of September, against A\$37.3m the previous year, writes Nikki Tait in Sydney.

Professor Ross Garnaut, Bankwest chairman, said the bank was ready for a full flotation, and that this would be a less risky option than a merger with Challenge.

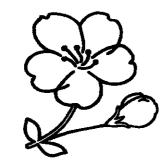
#### Russian cigarette deal R. J. Reynolds Tobacco International has

acquired a controlling interest in Armavirtabak, a Russian cigarette manufacturing company, AP-DJ reports. Financial terms were not disclosed.

Armavirtabak, which now will be known as RJR-Armavirtabak, has a capacity to produce 4bn cigarettes annually and employs about 450

R. J. Reynolds said it planned to expand RJR-Armavirtabak's manufacturing capacity to include American-blend cigarettes such as

# to amnounce that a wholly-owned subsidiary of The Sakura Bank, Ltd.



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#### The Czech airline is seeking a domestic partner, writes Vincent Boland zechoslovak Airlines, another airline or service comthe Czech Republic's pany. The final say on these loss-making national developments rests with the government, whose anger at the Air France pull-out has been partly assuaged by CSA's improving financial perfor-

airline, is hoping an injection of government money and a new approach to future part-nerships will help it ride out the most turbulent period in its 71-year history. CSA, majority-owned by

Czech state institutions, has been tackling two problems the search for new partner fol-lowing the split with Air France, and the struggle to meet finance requirements on its Airbus leases. CSA split up with Air

France, its strategic partner, in March, after the government paid \$27m to buy out the French airline's stake. It has tried to forge another alliance with an airline, but without

It has now adopted a new approach: the search is on for a Czech investor, such as a financial institution, willing to pump money into the airline. The Airbus leases that are at the core of CSA's problems

were signed early in 1989 at the peak of the aircraft leasing boom and before the demo-cratic revolution in the former Czechoslovakia. "It has been clear for some

time that CSA is not able to carry the cost of these leases," says Mr František Slabý, the airline's executive vice-president for finance and planning. The Airbus lease represents about 10 per cent of CSA's total cost base, he adds.

The carrier, however, is to receive an interest-free loan of Kcs586m (\$21.3m) from the government to help it discharge is talking to Czech investors, one of which is likely to acquire some or all of the 48.99



CSA has negotiated new terms for its Airbus leasing payments

immediate leasing payments on two Airbus A310-300s. In addition to the loan, the airline has managed to renego-tiate the leases so that its annual repayments will be cut to Kcs600m a year from now until they expire in 2001. This will save it Kcs200m annually.

The airline also leases five Boeing 737-500s and four ATR 72-200s, which it acquired in 1992 and which cost Kcs700m annually.

CSA hopes the new lease arrangements will convince a local investor to come on

It has held talks with several North American and east Asian airlines, but its financial woes and a lingering bitterness over Air France's withdrawal have forced it to abandon that

instead, Mr Slabý says, CSA

per cent stake in the airline held by the National Property Fund, the Czech government body that owns companies

being privatised.
Mr Slaby says this investor would most likely be a Czech financial institution, and that a deal could be finalised next

"There are [Czech] institu-tions able and willing to be financial partners with CSA," he says.

A possible partner is Ceská Pojišťovna, the partly privatised Czech insurance company that owns 4.5 per cent of CSA. CSA will, however, continue talks with other airlines on

route-sharing, passenger incentives and catering services.
Delta Airlines of the US has been touted as a likely partner in this area. However, Mr Slaby says his airline is talking to four or five parties. A third likely alliance would involve a technology and

know-how agreement with

Dassenger numbers have been rising since March, with the Air France pull-out, while capacity utilisation is

also up on last year, peaking at nearly 75 per cent in August.

By the end of the year CSA will have 20 aircraft. Six Russian flyushin II 62Ms were withdrawn from account at the control of the control withdrawn from service at the end of October, but in addition to the western-built aircraft it also has four Tupolev Tu 154Ms and three Tu 134As.

The company has reduced

losses in the first nine months to Kcs215.2m, compared with a loss of Kcs738.3m in the same period last year. In fiscal 1993

ironically coinciding

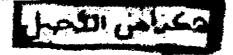
CSA lost Kcsl.5bn after tax.

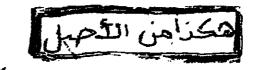
It has recently taken delivery of two ATR 42s on operating leases for service on shorthaul routes.

In spite of lower losses, the leasing commitments make the need for CSA to find a new backer urgent. The European Bank for Reconstruction and Development, which was Air France's partner in the high-profile \$60m investment in March 1992, says it will soldier on as a long-term investor. despite losing its board representation.

The EBRD too must be hop-ing CSA's new plans will pro-vide an early solution to the airline's problems.

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#### INTERNATIONAL CAPITAL MARKETS

# Treasuries post strong gains as sentiment swings

By Lisa Bransten in New York and Martin Brice in London

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ol at UCI

US Treasury prices posted impressive gains on the heels of a weakening equities market as investors switched from stocks to bonds in search of higher yields.

At the close, the benchmark 30-year government bond was up 3 at 942, yielding 7.912 per cent. At the short end of the market, the two-year note was unchanged at 99%, yielding 7.165 per cent. The market closed at 2pm local time for the Thanksgiving holiday and will remain closed all day

today.
After another sharp fall in the Dow Jones Industrial Aver-

fell below 8 per cent for the first time this month. Mr Joseph Liro, chief econo-mist at S.G. Warburg, warned, however, that there is no guarantee yields will remain this low.
"If the equity market stabi-

lises in the next week, bond yields will go right back through 8 per cent like a hot knife through butter," he said. For the moment, he added, bond market investors have both eyes on the equities market. For nearly all of this year the stock market has taken its lead from the bond market.

Late Monday afternoon, as share prices tumbled, however, the two markets moved apart age yesterday and losses in as bonds benefited from the European and Asian equity markets, the long-bond yield rates that hit equities.

will be increasingly challenged

by other, much larger invest-ment banks, especially in its

Moody's said that it expected

competition for business to be

particularly intense in develop-

ing markets, and the size of

Warburg's much larger US

competitors would give them

According to Moody's, "a sec-

ond challenge is for Warburg

to decide on the appropriate

volume and risk limits of its

securities trading". The agency

noted the volatility which trad-

ing on its own capital base has

introduced into earnings.

overseas markets.

powerful advantages.

Mr Liro attributed most bond market gains to speculation rather than the much-talkedabout asset reallocation. because most of the buying seemed to be in long bonds, which are normally not havens

#### GOVERNMENT BONDS

for investors worried about rising short-term interest rates. Some traders, though, reported signs of buying in the 10-year sector of the market.

Markets hardly took notice new economic data. The Commerce Department reported that durable goods orders declined 1.5 per cent in October from September. Analysts had expected an increase

of about 0.1 per cent. Much of the decline, however, came from a drop in car and aircraft orders. Excluding transport, orders increased 1.1 per

A drop in aircraft and car and truck orders caused transportation equipment orders to decline 9.4 per cent.

■ European government bond markets took their tone from the US yesterday, with stronger sentiment leading to rises in both German and UK government bonds.

One analyst said: "Inflation seems to be under control by the Fed and the risk premium is reducing in bond markets."

■ German government bonds followed the US rise and the December hund futures con-

launched a \$200m offering of

five-year floating-rate notes

with a coupon of 18.75 basis

points over three-month Libor.

Demand for the notes came

tract ended at 91.07, up 0.62 on the day.

Ms Alison Cottrell at Kidder Peabody said hunds had been supported by US Treasuries rather than the October M3 money supply figures, which showed an annualised rise from the fourth quarter of last year of 6.9 per cent, rather than the 7.3 per cent which some had expected.

■ UK government bond markets showed some strength and the December long gilt future had moved up I of a point to trade around 10313 by late in

the day. Three tap issues of gilts worth a total £550m were exhausted yesterday. They were: £200m of 9 per cent due 2008 at a price of 104.18; £200m of 9 per cent due 2012 at 105.08:

At the short end of the dollar

sector, General Electric Capi-

tal Corporation launched a

\$200m offering of two-year

bonds priced to yield six basis

£150m of 2½ per cent index-linked due 2003 at 162,22.

Mr Kevin Adams at BZW said: "People may be feeling that bonds are back in fash-ion." He said investors had shrugged off hints of political uncertainty stemming from disagreements in the govern-ing Conservative party over the UK contributions to the

European Union budget. He said: "Investors cannot believe any Tory MP will risk going to the country when they will so obviously get completely pasted."

🛎 The yield on 10-year Italian government bonds rose 3 basis points to 12.14 per

Mr Simon Maggs at IBJ said the fall in price was due to further political uncertainty.

with limited interest from

In another deal targeted at

retail investors, ABB Interna-

tional Finance launched a

\$200m offering of bonds due

January 1997, priced to yield 20

basis points over US govern-

ment bonds and offering a cou-pon of 7.5 per cent. "The two-

year area of the dollar sector is

where European investors

want to be," said one trader.

domestic German investors.

points when the company last came to market in June 1982. The money will be used to refinance an £80m revolving

By Richard Lapper

Frogmore Estates, the UK

property company, yesterday announced the successful syn-

dication of a £150m loan

arranged by Barclays.

As with another deal signed

this week - a DM65m medium term loan facility for Pohjolan

Voima (PVO), the Finnish

power company - the terms provide further evidence of

increasing competition in the

loans market, where margins

have fallen sharply during the

The Frogmore loan was priced at 60 basis points over

the London Interbank Offered

Rate (Libor), for the unsecured

revolving credit facility, com-pared with about 100 basis

past 12 months.

credit facility maturing in June 1996 and for general corporate purposes. Originally

**Competition steps** up in loans sector launched at £120m to relation

ship banks and a small group of international lenders, the loan was increased to £150m. Mr Gavin Rody, of Barclays, said it had been easier to win support for the deal in the mar-ket than in 1992. "Two years ago the market was tough. This time it has been more comfortable," he explained. Chemical Bank arranged the

four-year loan facility for PVO, designed to refinance a DM65m facility signed in August 1993, PVO will pay 35 basis points over Libor, compared with 95 basis points for the earlier deal, which was also arranged

by Chemical Bank. Banks participating in the PVO deal alongside Chemical are all Japanese. They are Fuji Bank, Long-Term Credit Bank of Japan, Mitsubishi Trust and Banking Corporation, and Yamaichi Bank (UK).

PVO was assigned a AA rating by the Japanese Credit Rating Agency in October.

# Chicago futures volume surges as US stocks slide

By Laurie Morse in Chicago

The stock market slide on Wall Street on Tuesday prompted money managers to shift assets into higher-yielding securities, a shift reflected in rising volume in the interest rate pits of Chicago's futures exchanges.

Globex, the after-hours computer trading system owned by Reuters and operated by the Chicago Mercantile Exchange and Paris's Matif, logged record business starting at 2.30pm local time on Tuesday. shortly after the CME's euro-

dollar futures pit closed. By the time the electronic trading session ended early on Wednesday morning, turnover had hit 24,365 contracts, by

far Globex's best night.

"People moved in to buy eurodollars as the stock market fell," said the CME. Of Globex's total turnover overnight, 20,681 contracts were eurodollar futures. The Chicago Board of Trade's electronic after-market trading system, Project A, logged a record 11.000 contracts, mostly 30-year

US Treasury bond futures, dur-

ing the two hours it was open

on Tuesday. Tuesday night's volume surge also boosted the daytime volumes in Chicago futures trading. Trading that day pushed the CBoT's cumulative volume for the year above 200.6m contracts, a record for

any exchange.

# S.G. Warburg senior debt | Issuers choose defensive instruments is rated A2 by Moody's

By Norma Cohen, investments Correspondent

Moody's Investors Service said it had assigned a rating of A2 to the long-term senior debt guaranteed by investment bank S.G. Warburg Group, the first debt rating it has given

for the group. According to Moody's, the rating reflects the group's leading franchises in the UK and international equities markets. as well as its conservative financial structure.

However, the rating also reflects expectations that Warburg's competitive position

#### Correction

IPE/LCE volumes

Average daily volumes traded at the International Petroleum Exchange and the London Commodity Exchange have increased this year.

WORLD BOND PRICES

have increased to an average of 58,105 contracts a day, compared with 54,427 a day in

At the LCE volumes have averaged 15,502 a day, compared with 14,659 last year. A report yesterday implied that At the IPE, daily volumes volumes were down.

5.51 Two year 5.53 Three year 5.44 Pive year 6.00 10-year 6.56 30-year

#### market turned yesterday to defensive instruments in the face of volatility in govern-

ment bond markets.

By Graham Bowley

INTERNATIONAL **BONDS** Issuance was mainly in dol-

lars and investors showed

Issuers on the curobond

demand for floating-rate notes and short-dated paper. "The rally in US Treasury prices is likely to bring sellers to the market and put upward pressure on secondary market spreads," said one trader.

Another dealer said: "Spreads on lower-quality debt have already begun to widen and this could have a knock-on effect with investors switching out of eurobonds and into Treasuries in a flight to quality."

Monte dei Paschi di Siena,

Italy's fifth-largest bank,

points over US government from investors in Hong Kong bonds and offering a coupon of and France, and from Japanese investment funds in London 7% per cent. and Asia. Citteorp launched a DM250m issue of five-year FRNs offering

Lead manager Goldman Sachs said the deal was targeted mainly at retail investors a coupon of 25 basis points and that most of the bonds over three-month Libor. were sold across Europe but

Воложег	Amount m.	Coupon %	Price	Maturity	Fees	Spread bo	Book runner	
US DOLLARS	***				•	-44		
Monte dei Paschi di Sienot	200	(28)	99.90R	Dec.1999	0.20R		Swiss Bank Corp.	
General Becthic Capit Corp.	200	7.375	99.96R	Dec.1996	0.125R	+6(7"+%-95)	Swiss Bank Corp.	
ASB International Finance	200	7.50	99.98R	Jan. 1997	0.15R	+20(714%-96)	ABN Arnro Bank	
Tubos de Acero de Mexico(b)	65	13.75#	99.75R	Dec.1999	1.25R	+840(7%%-97	Bankers Trust Inti.	
Challenge Bank(c)‡	50	(c1)	99.86R	Dec. 1997	0.20R	•	CSFE/ SG Warburg !	Sec
D-MARKS								
Citicorpt	250	(d)	99.98R	Dec. 1999	0.1757	-	Goldman Sachs	
GUILDERS								
Benque Nationale de Pans	150	7.00	100.29R	Dec.1997	0.20R	+40(6%%-97)	ING Bank	
AUSTRALIAN DOLLARS						-		_
NSW (Jersey)	200	≳ero	30.65R	May.2006	0.20R	-	HSBC Markets	

#### Day's Week Month change Yield ago ago Red Coupon Date Price Australia Belgium Canada Denmark Franca 09/04 91.7000 +1.950 10.36 10.53 10/04 96.5300 +0.460 8.27 8.31 05/04 83.7500 +0.500 9.09 9.10 12/04 89.3000 +0.550 8.63 8.79 9.000 7.750 6.500 7.000 7.000 8.000 8.750 7.500 8.500 4.800 4.100 7.250 893000 +0.550 8.63 101.8750 +0.250 7.35 91.7100 +0.750 7.99 100.8000 +0.730 7.37 81.2500 +0.200 11.79† 103.0340 40.160 4.00 96.3880 - 4.67 98.4800 +0.400 7.47 83.4800 +0.400 7.47 05/98 10/04 11/04 08/04 08/99 12/03 10/04 05/04 05/04 11/04 11/04 11/04 98.4600 +0.400 /.4/ 82.3500 +0.400 11.08 91-10 +11.52 8.25 88-26 +16/32 8.42 104-19 +21/32 8.43 100-10 +57/32 7.83 94-20 +47/32 7.97 84.6800 +0.550 8.41 B.000

BENCHMARK GOVERNMENT BONDS

London closhig, "New York mid-day † Gross (nobuding withholding tax at 12.6 pe Prices: US, UK in 32nds, others in chickesi Org month ... Two month ... Three month ... Six month ... One year ....

**BOND FUTURES AND OPTIONS** 

Open	Sett price	Change	High	Low	Est vol.	Open in
111.94	112.16	+0.80	112.18	111,72	204,256	132,543
		+0.80	111.34	110.92	6,158	30,403
110.12	110.45	+0.80	110.12	110.12	2	3,164
TERM FRE	NCH BOND	OPTIONS	(MATIF)			
	CAL	LS			PUTS	
De	g Mag	E .	Jun	Nov	Dec	Mar
21	6 23	a s	2.35	0.01	2.94	7.94
			-	0.02	1.31	-
		1	-	0.14	1.80	-
			-	0.84	•	-
0.0	1 0.4		-	1.84	-	-
	ee Bar 20 1	09 . Proviou	ಚಿತ್ರಗಳ ಅಧ್ಯ	n int., Calls :	313,563 Puts	278,151.
	111.84 177.80 110.12 i TERM FRE 2.11 1.11 0.22	111.94 112.16 171.90 171.34 110.12 110.45 TERM FRENCH SOND	111.94 112.16 +0.80 111.00 171.34 +0.80 110.12 110.48 +0.80 TERM FRENCH SOND OPTIONS	111.94 112.18 +0.80 112.18 111.90 111.94 +0.80 111.34 110.12 110.45 +0.80 110.12 TERM FRENCH BOND OPTIONS (MATIF)	111.94 112.18 +0.80 112.18 111.72 111.90 111.94 +0.80 111.34 110.92 110.12 110.45 +0.80 110.12 110.12  TERM FRENCH BOND OPTIONS (MATIF)  CALLS  Dec Mar Jun Now 2.16 2.30 2.35 0.01 1.16 1.86 - 0.02 0.26 1.11 - 0.14 0.03 0.73 - 0.84 0.01 0.43 - 1.84	111.94 112.16 +0.80 112.18 111.72 204.256 117.00 117.94 +0.80 117.34 170.92 6,156 110.12 110.45 +0.80 110.12 110.12 2  I TERM PRENCH BOND OFTIONS MATTF)  CALLS PUTS  Dec Mar Jun Nov Dec 2.16 2.30 2.35 0.01 0.94 1.16 1.66 - 0.02 1.31 0.26 1.11 - 0.14 1.80 0.03 0.73 - 0.84

90.80 90.13 90.77 89,98 163607 49953 # SUND FUTURES OPTIONS (LIFFE) DM250,000 pois 1.40 1.68 1.99 0.55 0.36 0.23 0.40 0 0

Sett price Change

Italy IN NOTIONAL ITALIAN GOVT, BOND (BYP) FUTURES (LIFFE)\* Lira 200m 100ths of 100% Open Sett price Change Est. vol Open int. Low 0.40 100.60 0.39 99.35 100.44 99.30 47395 14060 Dec Mar Jun IN ITALIAN GOVT, BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% - PUTS - CALLS -2.30 2.04 1.80 2.50 Sett price Change Est. vol. Open int. 87.76 86.90 82,334 6,959 40,907 2,358 UK

M NOTIONAL UK GILT FUTURES (LIFFE): £50,000 32nds of 100% Low Est vol Open into Open Sett price Change High 71925 12996 103-07 +0-21 ELONG GILT PUTURIES OPTIONS (LIFFE) \$50,000 64ths of 100% CALLS

E ECU SOND FUTURES (MATIF)

Open Sett price Change Low Est vol. Open int. 81,44 2,619 81.75 +0.64 81.80 7,356 High Est. vol. Open int. Open Latest Change LOW +1-03 +1-02 +1-02

Open High Low Est, vol. Open int.

#### UK GILTS PRICES | Smorter | 6, hours on to Prior Visional | 17,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 1,00 (200 ) | 7.18 74%, 8.51 10013 8.42 86% at 1002. 8.48 10513 8.40 55% 8.46 10513 8.40 55% 8.47 9612 8.79 11876 8.44 10033 8.60 12813 8.42 1004 8.42 9833 Funding 3<sup>3</sup>20C 1998-4.... 101-5 102-5 102-5 102-5 110-5 11 5.72 1014 5.68 304 6.50 10213 6.50 10217 7.00 10213 7.01 1005 7.71 1005 7.71 1005 7.71 1005 7.71 1005 7.71 1005 7.72 1005 7.72 1005 7.74 1011 6.04 1179 6.15 1044 6.15 2974 6.17 205 6.17 20 - 9878 - 1124 - 1125 - 1125 - 1218 8 \* 50: 2005 Carr 9 \* 2 pc 2005 Teas 12 \* 2 pc 2003-5 7 \* 15: 2008-11 \$pc 2008-11 \$pc 2002-611 Teas 11 \* 14 pc 2003-7 Insis 8 \* 12 pc 2004-8 Isaa 9pc 2006 + 1 Teas 9pc 2006 + 1 Teas 9pc 2009 — 145.2 +3, 125|1, 100|3 Other Fixed Interest +31, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125|1, 125| +12 1713 -13 1003 +13 9813 +13 1163 +13 1224 +13 1224 +14 1054 +14 11313 +13 1274 +17 12915 8.38 107 kg - 98 kg 8.37 98 kg 8.34 102 kg 8.30 119 kg 8.31 107 kg 8.43 92 kg 8.43 92 kg 8.56 106 kg 8.56 113 kg - 47 h - 42 k, st - 56 k - 35 k - 29 k - 29 k 8.50 8.32 5.85 8.54 8.40 8.40

FT-ACTUARIES FIXED INTEREST INDICES Day's change % Price Indices Tue xd æd∤. <u>y</u>td -- Low coupon yield -- - Medium coupon yield -- - High coupon yield -- Nov 23 Nov 22 Yr. ago Nov 23 Nov 22 Yr. ago Nov 23 Nov 22 Yr. ago 9.83 5 yrs 11.49 15 yrs 10.87 20 yrs 13.47 bred.† 8.32 8.42 8.02 8.38 8.48 6.26 8.50 8.61 8.33 8.42 6.92 8.44 8.53 7.04 8.69 8.79 8.30 8.40 7.02 8.44 8.53 8.06 8.58 8.70 8.37 8.46 7.13 1 Up to 5 years (23) 120.59 2 5-15 years (23) 3 Over 15 years (8) 4 Irredeemables (5) 140.38 157.42 177.66 137.83 2.01 2.91 0.94 2.19 141.26 158.77 Nov 23 Nov 22 Yr. ago Nov 23 Nov 22 Yr. ago 6 Up to 5 years (2) 7 Over 5 years (11) 8 All stocks (13) 0.72 1.17 1.12 3.83 3.83 186.77 174.20 5.07 Up to 5 yrs 4.36 Over 5 yrs 174.51 Nov 23 Nov 22 Yr. ago Nov 23 Nov 22 Yr. ago Nov 22 Yr. ago Nov 22 Yr. ago 129.25 +0.81 128.21 2.06 10.27 9.47 9.56 7.60 9.44 9.52 8.01 9.40 9.49 8.17 Debs & Loans (77) ove, Coupon Bands; Low: 6%-7%%; Medium; 8%-10%%; High: 11% and over. † Flat yield, yid Year to cipta.

GILT EDGED ACTIVITY INDICES FT FIXED INTEREST INDICES Nov 23 Nov 22 Nov 21 Nov 18 Nov 17 Yr ago High" Low 126.5

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TARGET THE BEST en they protion the selection. . es basi ल्क भूग आप्र ठाल

Shares slip

just 3p as

to £3.01m

or market rumours.

£82m (£87.4m).

chief executive, said that

although the six months had

been disappointing, with a

lack of big-ticket sales in New

York, Switzerland and Paris,

the weeks since the warning

had shown a small improve-

Mr Arnaud Bumberger,

managing director of Cartier in the UK, part of the Ven-

dôme luxury products group,

Share price (pence)

Source: FT Graphite

agreed that customers for the

most expensive products were

a "very small and confidential

world" and, as such, volatile.

However, he stressed that his

company was not suffering

similar problems to Asprey,

"though nobody knows what will happen next year". Ven-

dôme's interims are due out on

Asprey's share price has

declined further since September, as the group has been buf-

feted by City rumours, which

it has been swift to deny, and

a leaked and altered memoran-

dum from its bankers, the

Bank of Scotland, about its

Mr Attallah said yesterday

yesterday by 170,000 shares bought by Mr John Asprey,

The expansion downmarket

was £35.6m, giving gearing up from 14.5 to 22.6 per cent. Mr

Attallah said he was "happy"

to see it rise further.

with that but would not want

Interest payable was flat at

£1.07m. Interest receivable

and rents dropped to £392,000 (£1.08m). Earnings fell to 0.14p

(8.04p) per share with the interim dividend held at 1.25p.

financial position.

chairman, at 143p.

Asprey falls

Grimsby chosen ahead of Munich for £90m Tencel production plant

# Margins slip at Courtaulds

By David Wighton

Courtaulds has chosen Grimsby, Humberside, as the site for its European production plant for Tencel, its new man-made fibre. The plant, which will initially create 120 jobs, will cost £90m. of which £10m has been provided as a grant by the Department of Trade and Industry.

Mr Sipko Huismans, chief executive, said it was "a very close run thing" between Grimsby and a site near Munich, where greater financial assistance was offered.

The decision was announced as Courtaulds reported a fall in pre-tax profits to £80.7m (£96.1m) for the half year to September 30. The result last time, however, was boosted by profits of £24.4m from the sale or closure of discontinued operations, partly offset by £4.1m restructuring charges.

Operating profits fell 3 per cent to £86.4m reflecting Courtaulds' inability to pass on sharp increases in raw materials costs, particularly for viscose and acrylic fibres. Mr Huismans warned that the effects would be more marked in the second half although it planned to increase its fibre prices by between 5 and 15 per cent from January 1

"I am very confident that all will be recovered. Nothing goes

Research

By Alan Cane

Machines to

ioin market

Research Machines, a supplier

likely to value the company at

The company is expected to

The flotation is not intended

£6.5m in the bank, but to raise

to raise new money for the

company, which has about

the profile and enhance the

reputation of a 21-year-old

relatively unknown outside

listing would give it greater

provide liquidity for existing

Citicorp, 3i, Kleinwort Benson

Last year it reported pre-tax

The flotation will also

shareholders including

of £66.2m.

the UK education market. It is

mpany which is still

anxious to increase its

of computers and computer software to schools and

colleges, is coming to the

market through a placing

publish its pathfinder

document later today.

up as rapidly as this without a rapid reversal."

Although demand was generally firm, operating margins in all three division slipped. But excluding the new European fibres joint venture with Hoechst the group figure was steady at 8.9 per cent. Turnover was flat at £1.03bn.

Earnings per share were 15p (14.8p) excluding exceptionals and the dividend is 4.15p (4p).

Profits from fibres and chemicals were little changed at £42m (£41m) held back by stiff competition, particularly in the US, and increased marketing and development costs on Tencel. As expected, these outweighed Tencel's trading profits but it is now making a positive contribution. Courtture with Akzo Nobel to develop a filament yarn vergion of Tencel

Polymer products profits dropped to £14m (£18m). reflecting the end of the light armoured vehicle contract, but coatings and sealants were unchanged at £36m.

Interest charges fell from £15m to £8m, thanks partly to the elimination of unwanted swaps. Capital expenditure rose to £69m (£55m).

**COMMENT** 

Harrisons & Crosfield shares

dropped 8 per cent yesterday

and building supplies company

sought to rein in profit expec-

tations for the second consecu-

Mr Martin Anderson, finance

director, said the expected

recovery in pig prices had not

materialised in the second half,

and malt margins remained

depressed. In addition, profits

would be hit by a £10m ration-

alisation charge. As a result,

he said, analysts' profit expec-

tations might have been too

Harrisons had also sought to

clear up confusion about the

impact of disposals completed

this year, which have netted

Analysts cut profit forecasts

from about £115m to less than

£90m, excluding the disposal

The share price dropped 13p

to 149p, a far sharper fall than

the 2 per cent decline in the

THE

David Thomas was a Financial Times journalist killed on assignment in

Kuwait in April 1991. Before joining the FT he had worked for, among

with a search for new subjects and orthodoxies to challenge.

His life was characterised by original and radical thinking coupled

In his memory a prize has been established to provide an annual study/ travel grant to enable the recipient to take a career break to explore a

theme in the fields of industrial policy, third world development or the

The theme for the 1995 prize, worth not less than £3,000, is:

DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000

The award winner will be required to write a 1500 to 2000 word

essay at the end of the study period. The essay will be considered for

**CLOSING DATE JANUARY 6 1995** 

APPLICATIONS TO:

ROBIN PAULEY, MANAGING EDITOR

THE FINANCIAL TIMES (L)

NUMBER ONE SOUTHWARK BRIDGE

**LONDON SEI 9HL** 

words in English on this subject, together with a brief c.v. and a proposal

outlining how the award would be used to explore this theme further.

others, the Trades Union Congress.

environment.

publication in the FT.

the company about £134m.

By Peggy Hollinger



Sipko Huismans: holds his raincoat made from Tencel

months as the City has watched its raw materials costs soar. So the solid figures provided some reassurance. Although the impact will be greater in the second half, costs appear to have peaked Courtaulds' shares have had a and the other main fibre pro-had run over the last few ducers seem determined to

ters," said one analyst. "The

management is definitely on

trial now." Last year forecasts

were pulled back by about £5m

after a similar trading state

The analyst speculated that

further disappointment from

Harrisons could leave it open

to a possible takeover bid. It is

known that at least one large

company has examined the

possibility of a break-up bid in

Mr Anderson said Harrisons

expected to incur losses of

about £3.5m in the pigs busi-

ness this year, similar to last

having a mixed year, with

pressure on margins from

higher raw material costs in

Mr Anderson said that the

UK building supplies business had experienced strong first-half growth. The US building

supplies business was ahead of

Profits from the Papua New

Guinea plantation would be

some sectors and solid

The chemicals division was

the last 18 months.

advances in others.

last year.

"It is a litary of mini-disas- lower in the second half.

push up prices. Courtaulds tends to outperform late in the cycle and as investors tire of the early risers its shares should make up lost ground. On a multiple of about 14.5, assuming full-year profits of £170m, they take little account of Tencel's potential.

#### Harrisons seeks to Attwoods hits at multiple in rein in expectations

By Peggy Holfinger

Attwoods yesterday sought to convince shareholders they should reject the hostile £391m cash bid from Browning-Ferris Industries of the US by claim ing that the predator had paid a substantially higher price for its last major acquisition.

last BFI deal

Mr Ken Foreman, chief executive, said in a letter to shareholders: "BFI's reference to an implied multiple for our US businesses of one times revenue conveniently takes no account of the implied multiple of two times revenues which it paid for its 50 per cent interest in Otto Waste Service (of Ger

many)." Mr Foreman added that comparable US waste management companies traded on an average multiple of 1.9 times revenue, before taking account of a premium for control.

ordinary and 92p per preference share. It has promised to pay the 3.25p dividend proposed, to accepting sharehold-

that he wanted to have a good relationship with the City", but that if the shares continued to decline, "we will buy the shares back". The Asprey family speaks for some 52 per cent of the stock, lifted

A growing number of permanent jobs in the south of England contributed to a fourfold increase in pre-tax profits at Reed Executive, the UK's largest employment agency. The company yesterday

nnounced profits of £1.91m the third quarter.

said: "Employers are worried about retaining staff and are valuing certain temporary staff more. This helps our margins because people are not so interested in negotiating fees."

# BFI is offering 116.75p per

#### **Reed Executive** leaps to £1.91m

By Richard Wolffe

of the customer base was now over, Mr Attallah added. Stock rose from an "ideal" £135m at the year-end to £147m (£127m), but should decline if recent trading improvements continue. Its most expensive item, a Burma ruby and diamond suite of lewellery, retails at more than £4m. Debt at September 30

(£457,000) on turnover up 33 per cent to £30.8m (£23.2m) in Mr Alec Reed, chairman,

Earnings per share rose to 2.7p (0.4p) in the quarter.

# Northern banks to offer wishire own financial services designed, processed and under-

written within National Aus-

tralia Life, part of the parent

organisation. But they will

The three UK banking subsidiaries of National Australia Bank - Yorkshire Bank, Shares in Asprey slipped a Clydesdale Bank and Northern Bank - are to become "bancasmere 3p to 141p yesterday their smallest fall for some surers", selling their own financial services policies time in response to company through their branch networks announcements, press reports from late next year.

Their move marks a further This time the Queen's jewelsharpening of competition among high street financial ler was revealing a sharp pretax profits tumble from institutions to sell life insur-£12.2m to £3.01m in the six ance and investment products months to September 30. to their retail banking custom-Group turnover declined to

The downturn was foreshad-The UK's two largest building societies - Halifax and Nationwide - are scheduled to owed in September when the company said the absence of a launch wholly-owned life subfew high-spending customers would depress profits. That sidiaries next year. day shares fell 110p to 200p. However, Mr Naim Attallah,

The products offered by the banks will all Ъe

almost certainly be branded and marketed as products provided by each bank to its own customers: Final approval for the project

was given recently and the group has begun recruiting for its customer service centre in Glasgow. At present, the three banks

offer independent financial advice for life and investment products, but this is a small-scale and specialised service, involving only about 100 The intention is to meet the

financial needs of most of the banks' 3.5m customers with a relatively simple range of prod-ucts. Independent advice will niche service for those whose circumstances are more con-

Mr Ross Pinney, chief executive of National Australia Life said he expected the banks in be able to meet the financial needs of a much higher proportion of their customers than af

Many of our customers are not coming to us for financial: advice, because they are not even awars that we offer life insurance products, he

The group should benefit not just via an extra stream of income coming through the branch networks, but also through keeping all the profit from manufacturing the policies as well as distributing

# Higher raw material costs limit Waddington's advance

Waddington, packaging, printing and games company, yesterday warned that raw material price increases were putting margins in its packaging businesses under pressure. Mr Geoff Gibson, finance

director, said prices for some plastic polymers had risen by up to 70 per cent, with four increases in the US since April.

Operating profits for the six months to October 1 in the packaging division, which accounts for two thirds of group turnover, fell from 96.82m to 96.68m, in spite of an increase in sales from £72.1m to £82.2m. The latest figures include contributions of £433,000 to profits and £3.16m to sales for one mouth from Imca Beheer, the Dutch cartons business acquired in July.

ness lifted operating profits from £2.7m to £3.4m, while the pharmaceuticals packaging business improved from £700,000 to £1.1m. These gains were offset by the food and drinks packaging sector, which fell £300,000 into the red (£1.4m

pre-tax profits Total improved from £9.01m to £9.88m on the back of a rise in turnover from £118.2m to £122.8m.

The specialist printing division lifted operating profits from £1.46m to £2.17m on sales up from £22.9m to £27.2m. Profits from games eased to £2.15m (£2.2m), held back by

supply shortages in the new ranges of radio controlled toys and pre-school toys. Sales improved to £12.6m (£11.9m). Earnings per share were ing in mind the disar static at 7.880, after restating ments and uncertainties

The US food services busi- the previous earnings followers lifted operating profits ing the £42m rights issue for buying Imca. The interim dividend is 3.80 (3.680).

Raw material price rises for plastics, paper and board are

unavoidable and will scak un

a lot of management time as very few of the group's contracts include automatic price increases. But they are not the sole reason that the City is cutting its forecasts for this year - the attempt to diversify away from margarine containers has not gone well. The cost of cutting capacity to meet demand will further damage profitability. Forecasts for the year have been reduced from as much as £25m to as low as £20m, giving a prospective multiple of 16, which looks about right, bearing in mind the disappoint-

# Morland advances to £9.7m

By David Blackwell

The continued success of Old Speckled Hen helped Morland, the Thames Valley-based brewer, to boost pre-tax profits by 9 per cent from £8.87m to £9.67m for the year to the end of September.

Production of Old Speckled Hen ale has reached 40,000 barrels, up from 5,000 barrels in 1992, when Greene King made a bid for Morland. If the bid had succeeded

Greene King would have closed the Abingdon brewery. But demand for its beer has prompted Morland to invest £5m in its brewery over three

years, culminating in a new brewing stream by Easter 1996. Mr Michael Watts, managing director, said yesterday that the brewery had raised its ale production by 21 per cent in a market generally seen as being in decline. Old Speckled Hen accounted for £6m of the total turnover of £57.1m, 12 per cent ahead of a previous £50.9m.

The group plans to take the ale from a national brand to international recognition. Mr Watts said that by the end of the year, the company expec-ted to have established an export business, with the US

and Italy as prime targets. Like-for-like profits on its less than 2 per cent. Mr Watts said the business was under attack on three fronts take-home sales, consumer imports of beer from France and the continuing effects of the recession. Earnings were 32p (29.1p). A

tenanted estate were down by

final dividend of 7.65p (6.96p) makes 10.71p (9.74p) for the

 Mr Jasper Clutterbuck, Morland chairman and chief executive, is relinquishing the role of chief executive in February, when he will be 60. Mr Watts will become chief executive, while Mr Clutterbuck will

# Porton poised for takeover

By Paul Taylor

Beaufour Ipsen, the family-owned French pharmaceuticals company, should find out today whether its \$65.5m recommended takeover bid for Porton International, one of the UK's first biotechnology companies, has been

Shareholders holding 60.2 per cent of Porton's shares, which are traded under the Stock Exchanges's Rule 4.2, have already given irrevocable undertakings to accept the French bid, worth £13.40 in cash or notes. Of those investors, the largest stake is held by Mr Wensley Haydon-Baillie, Porton's founder and ex-chairman, who stands to receive about £24m for his

36.6 per cent stake in the private company. Under a separate deal Beaufour will pick up an additional 6 per cent stake in Porton, lifting the total tranche covered by irrevocable under-takings to 66.2 per cent. Many of Porton's institutional investors, which sank £76m into the group during the 1980s but have been disappointed by its financial performance, are under-

stood to be keen to sell their holdings.

Porton's management is expected to take an initial 22 per cent stake in Speywood Holdings, a company set up by Beaufour to make the acquisition. The French group has set a 3µm deadline today to receive more than 90 per cent acceptances for its offer, which has been recommended by Kleinwort Benson, Porton's financial advisers.

A potential rival offer for Porton from Scotgen Pharmaceuticals, the Anglo-US drugs company, has failed to materialise.

# SmithKline to merge international divisions

SmithKline Beecham is to merge its three international divisions into one called SB

Healthcare International.
The reorganisation covers all operations outside Europe and north America with total sales of about £1.3bn, 20 per cent of the whole business.

It combines the resources of SmithKline's consumer healthcare and pharmaceuticals divisions with the Sterling Health over-the-counter medicines unit acquired in August. SmithKline will cut duplica-

tion of resources, especially in Asia and Latin America, but no figures were available yesterday. The company used external

consultants to evaluate which

parts of each division would Mr Jan Leschly, Smith-Kline's chief executive, said that this was to ensure fairness. "We treated all three divisions equally. Sterling was not a second class citi-

He acknowledged that this was "a surprise" for some peo-

The reorganisation comes as

\$7.7bn (£4.7bn) series of acquisitions and disposals culminating yesterday in the \$1.45bn sale of its animal health business to Pfizer of the US. Mr Leschly said that the

reorganisation was a signal that the main management effort would now be on extracting the most from Sterling Health and Diversified Pharmaceutical Services, a US drug distributor, which have been acquired over the past six months.

#### West Trust expansion

West Trust, the specialist food group, reported a substantial rise in interim pre-tax profits from £172,000 to £736,000. Sales in the six months to

September 30 advanced to £10.8m. Last time's £4.92m included £2.31m from discontinued operations. The interim dividend has

been raised to 0.5p (0.2p) to reduce the disparity with the final payment. Earnings per share came to 1.24p (0.74p restated for share issue).

# Division makes £9.6m cash call

By Paul Taylor

Division, the Bristol-based virtual reality computer technology company, is raising £9.6m through a 3-for-10 rights issue of up to 10.1m shares at 100p each.

The shares closed 13p up at At the same time, Division,

which was floated on the Stock Exchange in May last year at 40p a share, estimated that it would carry a pre-tax loss of not more than £1.44m in the year to October 31, against a £503,000 deficit last time.

The full-year loss, which reflects heavy investment in product development and marketing, was foreshadowed at the interim stage. The company said yesterday

that sales for the second half of the year, "have followed the trend of earlier years with strong underlying growth con-

Turnover for the year is expected to have more than doubled to £5.27m (£2.08m), boosted by strong growth in the group's blue-chip customer

Mr Charles Grimsdale, managing director, said the new funds would be used "to provide additional working capital and support the company's anticipated growth, including future products."

Since the flotation last year, which raised about £5m, Division has made considerable progress in the development of new virtual reality products and in particular, specialised 3-D graphics technology.

Last December it launched a new high-power graphics accel-

erator, based on technology licensed from the University of North Carolina. The VPX accelerator uses

thousands of tiny micro-processors working in parallel to

compute images on a screen and has been sold mainly for engineering, training and scientific applications The issue has been under-

written by Albert E Sharp.

DIVIDENDS AN	INOUN	CED			
ABI Leisure	Current payment	Date of payment	Corres - panding dividend	Total for year	Total last year
Abtrust High Incint	2.71 1.4±	Jan 31	251	4.08	3.76
Adareint	1.03952	- M 0		-	
Amber Industrialint	7	Mar 3 Jan 17	0.945	-	1.987
Aspreyint	1.25	Jan 27	.6_	-	20
Birkbyint	2	Jan 11	1.25	-	6.05
Chloride Groupint	0.1	Feb 9	1.2	-	6
Courtaulds	4.15	Jan 24	ηI	-	rall (
DCC	2.4	Jan 5	4.	-	14.8
F&C Inc Growthint	1,4	Dec 30	•	-	•.
Fleming (Robert)int	6.5	Jan 16	- 5°	-	
Granada Groupfin	6.67	Apr 3	5.725	-	16.7
Moriandfin	7.65	Jan 31	6.96	10	8.75
Sharelinkint	3	Jan 20	3	10.71	9.74
Tate & Lylefin	<b>9.8</b>	Feb 7	8.7	47.4	9
TR High Incomeint Waddington (J)int	1.5#	Jan 31	1.5	14.4	13
	3.8†	Jan 19	3.68	-	6
Wagon Industrial int West Trustint	6.65	Feb 20	6.325	-	8.5
Yarkahira Water	0.5	Apr 1	0.2	-	17.825
Yorkshire Waterint	8.3	Feb 27	7.2	-	25

Dividends shown pence per share net except where otherwise stated, †On increased capital. \$USM stock, wirsh pence.

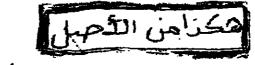
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#### **COMPANY NEWS: UK**

Water utility to lose a quarter of its workforce as profits fall 10%

# Yorkshire cuts 600 more jobs

Malcolm Batty: expecting

provision last year. It said it

expected a two-year payback

Pre-tax profits for the half-

year to September 30 fell from

£74.8m to £67.2m. Sales were 6

per cent ahead at £275.4m (£259.4m).

higher than expected reduction

in the pipe maintenance

charge from £35.4m to £23.4m.

Cashflow was also enhanced

seven battery businesses in

central Africa which were sold

ADE manufactures control

panels for alarms and distrib-

utes electronic security alarm

products. In the year to April

30 it made pre-tax profits of

£1.35m (£1.54m) on sales of

The vendors, principally Mr

James Chadwick, chief executive, and Mr Graham White-

head, deputy chief executive.

will receive a £1.5m distribu-

tion from ADE and an initial

payment of £5m, satisfied by

There is a further deferred

Turnover was £50.6m with

profit-related £7.52m, satisfied

£4m cash and 4m shares.

£18.5m (£15.1m).

by loan notes.

in the second half of 1993.

Chloride makes £14m security buy

Profits were helped by a

on the £35m provisions.

Yorkshire Water yesterday announced plans to cut another 600 jobs. The latest cuts are in addition to the 400 redundancies announced four months ago, before the July

The news came as Yorkshire Water reported a 10 per cent decline in interim pre-tax profits and the season's lowest percentage dividend rise so far for the sector. Mr Malcolm Batty, finance

director, said he expected fur-ther job losses in future but could not yet quantify their scale or timing. Yorkshire, which in June

announced 400 job losses for 1994, has decided to cut 100 more this year and another 500 over the next two years, accounting for about 25 per cent of the regulated utility

Yorkshire's profits were depressed by the £25m charge to pay for the rationalisation.
This is in addition to the £10m

Chloride Group's transform-

ation from a batteries business

into an electronics group was

reinforced yesterday by the

acquisition of ADE Group, an

electronic security business,

Mr Keith Hodgkinson, Chlo-

ride chief executive, said that

the acquisition would enhance

earnings per share and gener-

Chloride also reported pre-

tax profits of £L04m for the six

months to September 30 and a return to the dividend list with

an interim payment of 0.1p, the

first since the 1989-90 interim.

£1.32m, which included operat-

ing profits of £1.1m from the

The profit compared with

By Geoff Dyer

for up to £14m.

ate cash.

by a substantial reduction in utility investment from £112m

time.

Yorkshire, along with other water companies which have reported so far this season. also announced plans to devote extra funds to issues such as foul flooding and discoloured water, which were not allowed for in the price review. The company said it would devote £316m this year to such discretionary spending. The core utility business

reported an 11 per cent decline in operating profits, after exceptionals, to £72.2m on sales 4 per cent ahead at £349,1m. The non-regulated activities contributed pre-tax profits of £1.2m against £900,000 last

Yorkshire increased its interim payout by 9.2 per cent to 8.3p and said it intended to maintain dividend growth of at least 5 per cent above inflation for the next five years. This would be achieved without substantially eroding its dividend cover of about three

against £51.8m, which included

£9.07m from discontinued

activities. As a result of the

divestments, tax fell to £415,000

(£987,000) and minority inter-

ests to £13,000 (£210,000) giving

attributable profits of £608,000 (£124,000) and earnings per

now in a position where we

feel confident about returning to the dividend list."

ness operating profits, exclu-

ding Ondyne, the power supply

business it bought in April, rose to £1m (£508,000) on sales

Margins and sales in the

uninterruptible power supplies

business increased and the

up 14 per cent to £43.5m.

In the core electronics busi-

Mr Hodgkinson said: "We are

share of 0.3p (0.1p).

als from 36.1p to 31.9p.

COMMENT

The market's reaction to a better than expected payout and the promise of at least 5 per cent real dividend growth to 2000 might be seen as rather ungrateful. However, there is a perception that Yorkshire has been held back by fears that higher dividend growth would rekindle local controversy and further damage its battered public image. Financially, Yorkshire is one of the strongest water and sewerage com-panies and it could afford to increase the payout by sub-stantially more. There is also the argument that dividend cover should be lower than the 3.4 times projected by analysts for the year 2000. Forecasts are for about £157m this year after exceptionals. The group's noncore success and strong finan-

cials make Yorkshire a solid

hold, in spite of a yield just

below the sector average.

# A Fisher chief could get £0.6m

By William Lewis

Mr Stephen Walls, the chairman of Albert Fisher, the food processing and distribution group, will be paid a minimum of £464,000 this year and could earn up to £618.000

One of the main components is a lump sum pension payment which will total £155,000 this year. Under Mr Walls' two-year rolling contract the company must each year pay the equivalent of half his basic salary into his

company pension scheme. On September 1 Mr Walls' basic salary was increase from £300,000 to £309,000. On top of this he is also eligible for an annual bonus which could be as much as half his

basic salary.
Payment of the bonus is dependent on group performance and on Mr Walls meeting 11 personal objectives during this year. They include:

"Ensure that by the end of the year the group has no operations losing money (unless new start-ups specifically approved by the board)".

 "Continue to raise the general morale and motivation of personnel at all levels". "Putting in place planned major head office cost

reductions in line with plan? The details are in documents available for inspection by shareholders ahead of the AGM on December 14.

Mr Walls' total pay last year rose by 44 per cent to £514.000. The annual report for the year to August, published yesterday, said this included a £150,000 pension payment, without revealing that he has a contractual entitlement to a similar sum each vear. It also disclosed that he received a £48,000 bonus last year "based

returned to profit for the first time in four years. The power conversion business continued on the achievement of stated personal objectives".

# Robert Fleming makes 6.3% midway advance

Robert Fleming Holdings, the UK-based investment bank, yesterday reported a 5.3 per cent rise in pre-tax profits for the six months to September 30, thus defying an industry trend which has seen earnings hit hard by turbulent stock and bond markets, writes Norma Cohen.

Jardine Fleming, the group's 50 per cent owned Hong Kong-based investment banking subsidiary, contributed roughly 40 per cent of total profits, up from about a third in the same period last year, according to Mr John Manser,

Pre-tax profits for the privately owned investment banking group rose to £97.4m (£91.6m) with the investment banking sector contributing a marginally lower £48.8m (£49.7m).

However, Mr Manser warned that the group was unlikely to match the £71.8m earned in its investment banking division in the second half of last year, so that annual profits would be

lower overall. "I'd like to think we could, but in all honesty, it is not likely."

In its investment management business, the group earned pre-tax profits of £48.6m, up 16 per cent from £41.9m. Assets under management increased from £49.5bn to £50.2bn. This

represents a net cash inflow of about £2bn, mostly from retail accounts in the UK, US and Europe, which was offset by a 3 per cent drop in the value of the investment portfolio. Mr Manser said that in Fleming Investment Management's core UK business "we have staunched the flow" of pension clients who had been leaving the firm due to lacklustre investment performance, although it would be some

time before significant new business was

Fleming recently recruited a new chief executive to its asset management division, Mr Ken Inglis, who has made several internal changes.

# Far East strength pays off

attracted.

#### Norma Cohen on how Fleming is bucking the trend

urbulent world markets have been unkind to the investment banking industry this year, although Robert Fleming Holdings appears to be bucking the

Yesterday Fleming said its pre-tax profits rose by 6.3 per cent to £97.4m and that, moreover, its investment banking division's profits were off only slightly from last year's level. Investment management, which includes a US-based joint venture with mutual fund company T Rowe Price, contributed to the group's earnings stability with a 16 per cent profits rise.

Significantly, much of the asset growth came from retail products, especially in the US, where investors are increasingly keen to buy non-domestic investment funds.

Mr John Manser, group chief executive, attributes the group's ability to withstand the current tough markets to two key factors. "Our businesses are very well spread. We are in both retail and wholesale markets and we have a good geographical spread. We operate in 32 markets and not all of those do the same thing at the same time."

And, perhaps most critically, Mr Manser says: "We have strength in the Far East through Jardine Fleming." Jardine Fleming, the invest-ment bank owned jointly with

Jardine Matheson, had post-tax profits of \$111m (£67.6m) for the six months to June 30, a 44 per cent increase on last time. le diruis such as that with Jardine Fleming, rather than to try to set up new operations with a high cost base. "We would rather have a smaller part of a bigger whole than a larger part of a smaller whole."

ally through joint ventures.

He said the group's resilience partly reflected its success in integrating the business generated from London into its joint ventures around the world. These also include a 50 per cent stake in leading Austra-lian stockbroker Orde Minett and a South African joint venture with Martin and Co. The structure allows deci-

sion-making to take place at the local level, where management is likely to be better informed about conditions. "It relieves the strain on management," he says. "Running a global business from a single spot will eventually overwhelm the management." There are only two key decision-making committees within Fleming, a seven-member body at the Group headquarters in London and a similar-sized group at Jardine Fleming.

There is a strategic issue here," says a securities analyst with a rival investment banking firm. "The strategy of being in a niche business and being risk averse is likely to be

more successful long-term than the integrated houses, who are taking a risk-based approach." And, perhans most significantly for the current round of earnings, Fleming has no mar-

trated on its role as an agency broker, although it is building selected distribution and research capacity for European shares.

However. Fleming is not entirely risk averse, according to its competitors. It has been strikingly aggressive about bidding for capital markets busi-ness, particularly in the privatisation field. According to Euromoney Bondware, an industry database, Fleming and its Jardine Fleming venture were the leading bookrunner for Asian equity and equity-linked deals in 1993 and 1994; and according to Acquisitions Monthly, it ranks third in advisory business for UK public takeovers so far this year.

Earlier this autumn, Fleming drew gasps from some of its competitors for agreeing to act as global coordinator for a \$900m international distribution of warrants for newly privatised Pakistan Telecom. Pakistan asked a group of banks to bid for the business whose most recent accounts were two years old - without a due diligence review.

"Of course we had some reservations about that fact but from our analysis, in relation to other Asian telecom companies, we felt it was good value," a Fleming official explained.

While many competitors backed out. Fleming took the business on, although shortly after it had distributed the warrants the price fell sharply. This reflected a correction of information which had spectus which had been misinterpreted by foreign investors.

#### £2.47m from acquisitions, emergency lighting sector RJB has 'overestimated demand for coal by 20%'

By Michael Smith

RJB Mining, the coal company bidding to take over the English mining assets of British Coal, has overestimated by 20 per cent the demand for coal by English power generators in the late 1990s. according to an analysis published

Coal UK, the Financial Times newsletter, says the company has also made too little allowance in its calculation for the role of private coal producers which few weeks its pathfinder prospectus for RJB's prediction. will be its competitors.

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CLYDEPORT plc

Placing by

Allied Provincial Securities Limited

17,908,124 Ordinary Shares of 5p each at

133p per share Share Capital following the Placing

Coal IIK estimates the generators will buy 23.9m tonnes of coal from English coal suppliers in 1998-99, whereas RJB says a conservative projection should

be about 28.9m tonnes.
"While the RJB case is its pessimistic view, our forecast is our most likely scenario," says Coal UK. "Beyond 2000 difficulties will increase with the prospect of tighter sulphur limits."

The newsletter's analysis comes as

a flotation aimed at raising up to ket of 6.4m tonnes in the late 1990s is more appropriate, says the newsletter. I its competitors, is to grow glob- Europe. Instead, it has concen-

£425m. The company has offered £914m described as "unaccountable". Its ambifor the three regions for which it is preferred bidder, although this figure is likely to decline in final negotiations. In the newsletter, Coal UK says RJB

Jun 1993

to make losses.

fails to take account in its market projections of 3.6m tonnes of coal equiva lent a year of heavy fuel oil burn and appears to ignore supplies from other English mines. It also says RJB underestimates the amount of electricity that RJB's prediction of an industrial mar- Coal suggest that £14.40 to £24 would be strategy, unlike that of some of equities and little of it within

tions to take 2m tonnes of the domestic market assumes RJB will capture all the Scottish and Welsh customers as well as the English.

Coal UK also criticises RJB for its high valuation of stocked coal. RJB estimates total stocks (including non-coal) at £314m with £250m of that for 9m tonnes of coal. This suggests £27,28 a tonne, says Coal Investments.

Recent prices obtained by British

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# Wagon rises to £9.6m as markets improve

450 -----

400 -

Source: FT Graphite

executive

£132.23m.

been underpinned by produc-

tivity improvements. "Underly-

ing profits have moved ahead

in the UK, but in Europe, profits were more or less flat," said

Mr John Hudson, the chief

The group has made a string

of small acquisitions to bolster

its varied market positions and this was reflected in its turn-

over. Acquisitions contributed

£6.49m out of a first half total

of £163.85m, compared with

Operating profits moved

ahead to £11.15m, against

£4.42m when the figure was

By Paul Cheeseright, Mklands Correspondent

Wagon Industrial resumed profits growth, as the effect of internal changes to raise productivity coincided with an improvement in market conditions, especially in the UK. Pre-tax profits for the half

year to September 30 at the group, whose interests embrace storage and retail equipment, engineering and automotive products, rose to £9.62m (£5.06m).

This lifted earnings per share to 12.63p (4.52p) and allowed a 5 per cent increase in the interim dividend to 6.65p

Stripping out exceptional costs for restructuring and writing off goodwill associated with disposals, Wagon said that its underlying pre-tax profits rose in the first half by 28 per cent to £10.4m. said it was optimistic

about its prospects and anticipated "a continuing improvement in profits for the year as Like other engineering com-

panies, Wagon is experiencing continued pressure on its margins. Its profits growth has

depressed by restructuring Wagon Industrial charges at Forkhardt, the German specialist chuck maker. Share orice (pence)

1994.

The contributions of both the storage and retail and the automotive products divisions rose. but there remained a loss from engineering, largely because of a downturn in the market for Wefco, which makes storage tanks and pressure vessels, but is now closing two of its four

Wagon has delivered what it said it would deliver. Its profits are moving firmly upwards: the UK market is under its belt and European recovery is yet to come. Problems at Wefco and at Link Plastics, another trouble spot, will be sorted out in the current half. The group is riding the cycle. Full year pre-tax profits of about £25m, to give earnings per share of 37.4p, would not be fanciful. That presages a 5 per cent increase in the final dividend, given group policy of working towards cover of two times. Such a forecast puts the shares, after yesterday's slip in the market, when they lost 4p to 459p, on a prospective multiple of 12.3, cheap for the sector.

#### Birkby to float vehicle hire side

By Richard Wolffe

Birkby, the business property managers and hire purchase group, yesterday announced the flotation of its vehicle hire division to fund further expansion.

The company, which established a national profile in March with the £58.7m purchase of In Shops, plans to extend its chain of business

units across the UK. The group's gearing reached 77 per cent by September 30, up from 41 per cent on March 31. It expects to be ungeared after the Hill Hire flotation. The shares closed down 5p

at 233p yesterday. Birkby intends to float Hill Hire, its commercial vehicle hire company, by a placing with institutional investors. which is expected to value the company at more than £26m.

Mr Bill Cran, chief executive, said Birkhy would retain a 40 per cent stake. "We are beginning to restrict the growth of Hill Hire, simply because we are not a truck rental operation and that is not a core activity," he said. "We want to put our

resources into sp management." Hill Hiro carries a heavy debt burden. as is typical in vehicle hire. Birkby acquired Hill Hire in July 1993 to add heavy commercial vehicles to its existing light vehicles hire business. The division reported pre-tax profits of

£1.76m on sales of £10.5m in the year to March 31. Average utilisation rates stand at 72 per cent on light vehicles and 84 per cent on heavy vehicles. For the six months to September 30, Birkby reported

a seven-fold rise in pre-tax profits to £4.13m (£581,000). Turnover expanded from £5.24m to £32.2m, including a full contribution from In Shops and its discount retailer Job Lot. The figures were also lifted by a contribution from I-MEX, the manager of commercial and light industrial units, which was

acquired in August. Occupancy rates in the group's 38 workspace centres range from 94 per cent at the Rickhy sites to 65 per cent at the I-MEX sites. Retail occupancy stands at 82 per cent in the group's 65 centres.

Earnings were 8.2p (6.6p). The interim dividend goes up to 2p (1.2p).

#### **Pilkington**

Pilkington saw profits double to £61m before tax and disposal gains in the six months to September helped by an improvement in most of its main markets. Including a £16m profit on the sale of its insulation business the glass maker reported a pre-tax surplus of £77m

egainst £30m. Turnover from continuing operations rose by just 3 per cent to £1.29bn, with volume growth of 7 per cent offset by the fall in the dollar and price reductions in Germany.

Earnings per share were 3p (0.4p) excluding the disposal losses of £430,000 pre-tax for gain, while the dividend was the year ended January 31, plans to sell James Barr & Son held at 1.5p.

# Pre-Budget moves to b&b

but obscure practice.

practice.

made more difficult by the

shadowy legal nature of the

Exchange: "The question is not so much whether it is illegal

but whether it is allowable

The pointer to a bed and

breakfast deal is often a large

block of shares recorded just

before the close of dealing at

below the market price and

know in the trade as "a 1629".

The following morning a simi-

lar block of shares with match-

ing price and size will show

there is no link between the

sale and the repurchase they

Inland Revenue, said: "We

have no objection to a general

Mr Paul Franklin, of the

are perfectly legal.

ever, continue

In addition the group said

changes to the rental terms of

its West End and City offices

would cut payments by about

£1.06m over the period to June

1997. A redundancy pro-

gramme is expected to produce

savings of about £750,000 a year. National Westminster

Bank has agreed to an increase

First Ireland Investment Com-

pany raised net revenue from

£215,000 to £341,000 for the half-

year to September 30, and earn-

ings per share grew to 1.14p,

6.4 per cent in sterling terms to

at March 31). The rise in Irish

pound terms was 4.3 per cent

to 121.05p (116.12p), compared

with a 2.1 per cent increase in

the Irish Stock Exchange index

tributor status. Last year's

through a placing of 25m

Net asset value increased by

First Ireland Inv

hese trades are made to

mitigate the effects of

capital gains tax. If

under tax regulations."

In the words of the Stock

Peter John on a practice which appears to have gained in popularity

The London stock market sent one half of this evocative may be wallowing like a rudderless ship, but down in the engine room investors are quietly shifting funds in case a well loved loophole is plugged in next week's bud-

Dealers who closely follow the patterns of share trading have noted that the number of "bed and breakfast" deals has risen dramatically over the past few weeks.

These trades generally involve placing stock shortly before the close of the session and buying it back the next morning to establish a tax loss hence its potential interest to the Chancellor.

On one day last week, daily volume was boosted by 60m shares, about a tenth of the turnover, after large blocks of FT-SE 100 stocks appeared on the Seaq automated quotation system first thing in the morning. And on Tuesday some 13m shares in second line stocks went through the dealing

Both were believed to repre-

disposal followed by an acquisition as long as they reflect the market value. If they don't, Opinion is divided, however, an inspector will look at on the reasons for the increase. And establishing motivation is

The Stock Exchange concurs. "As far as we are concerned we don't know if the bargain is bought back the next day. The rules are that they have to be booked near the market price." In other words, if the transaction constituted price manipulation it would be breaking the

Marketmakers say the fact that deals are often slightly below the market price can be explained by the size of the trade compared with the normal market size and the general liquidity of the Because of the sensitive

nature of bed and breakfasts,

securities houses will not com-

ment officially on their involvement. And none will

admit to agreeing both sides of the deal, that would constitute

One senior dealer said: "Legally they don't exist but

The whole subject is such a hot potato we would rather remain in the background."

ne insider at UBS, the Swiss-owned securities house, said business had grown because a number of institutional clients were concerned that the Chancellor

would stop the practice. The rumour often rears is head around Budget time. It may not be founded on any thing but there has been more worry around this year." He added: "I am not really sine how the Chancellor can stop people buying or selling shares and establishing a tax loss."
It is also possible that much

of the business might merely reflect prudent cash management. The stock market has fallen by about 9 per cent since its highs at the start of the year. If Mr Clarke is going to hare his teeth, investors might feel that now is as good a time as any to make the best possible use of capital gains tax

# Sharelink £468,000 in the red and trading 'very poor'

By Paul Cheeseright, Midlands

Sharelink Investment Services. the Birmingham-based share dealing company, continues to lose money on its current trad-

For the half year to September 30, it announced yesterday a pre-tax loss of £468,000, compared with profits of £3.68m this result was foreshadowed in the warning of late September. The shares shed 7p to Sharelink also

announced that it "was trading below break even in October, and Mr David Jones, the chief executive and biggest single shareholder, said present trading is "very poor." This, he added, made him "cautious about the year end result."

First half turnover was down to £7.28m, against £11.25m last time when business was boosted by BT privatisation Loss per share was 1.79p. against earnings of 16.07p, but Sharelink is maintaining its interim dividend at 3p.

Sharelink's basic problem is

the low level of dealing volume on the UK stock market. But its financial results have also been affected by investment of £700,000, during the first half, on the development of more efficient operating systems and the introduction of new financial management products.

Investment spending in the second half will be £600,000. Sharelink hopes to protect itself against market fluctuations by reducing costs and bringing in a stream of

McKechnie

**purchase** 

Correspondent

makes A\$15m

By Paul Cheeseright, Midlands

# L&G trust launch will raise minimum £29.8m

Legal & General Group is inviting offers for up to 150m shares at 100p each, with warrants attached on a 1-for-5 basis, in its new investment trust, the Legal & General Recovery Investment Trust.

The minimum investment is £1,000 with management Panmure Gordon, sponsor to

the offer, has received irrevocable undertakings for up to 41.3m shares. With 31.2m shares having been underwritten the offer will raise, net of

cised for 100p within 10 years. The trust has a life of not more than 10 years.

achieve long-term capital growth and outperform the SE-A All-Share Index by

Amber £1.9m at midway

Amber Industrial Holdings, the to £11.8m (£11.2m). specialist chemicals maker and distributor, turned in pre-tax profits of £1.87m for the six months to September 30. This compared with £2.43m last time, but which included £724,000 on the disposal of

Turnover rose by 5.4 per cent

lished figures.

The aim of the trust is to

investing in UK-quoted equities with recovery potential. It is being managed by the same team as the Legal & General UK Recovery Unit

Rarnings per share, came to 26.2p, against 42.5p or 24p adjusted to exclude the disposal. The interim dividend has been stepped up to 7p (5p).
The company is 75 per cent

owned by Caledonia Invest-

and a maximum £143.4m. The warrants can be exer-

McKechnie, the plastics and metal components group, yesterday started to make good its promise of more acquisitions. with the A\$15.4m (£7.48m) purdivision of Hunter Douglas, the Australian group.

The division distributes drapery hardware like blinds and curtain rails, thus fitting in with Phipps International, an earlier Australian acquisition. The two companies should be able to feed business back to McKechnie's aluminium extrusion operations.

This latest purchase brings to £51m the commitments McKechnie has made on takeovers since August last year. Its spending has been partially offset by £21.7m from disposals. Last month McKechnie said it would buy companies in Europe, North America and the Pacific area.

# DCC shows 24% growth to I£8.8m and health care services in the US.

By John Murray Brown in Dublin

DCC, the Dublin-based diversified holding company which came to the market in May, reported a 24 per cent increase in pre-tax profits from I£7.11m to I£8.82m (£8.7m) for the half year to September, reflecting improved economic conditions in Ireland and the UK.

The group has interests in 20 companies in the foods, energy, healthcare and computer services sectors, including snack food manufacturing, waste oil recycling and natural gas distribution in the UK,

Turnover, after deducting the share of associated companies, rose 26 per cent to 19119m (1994.7m). Operating profits were up 35 per cent to.

Mr Jim Flavin, DCC's founder and chief executive, said the performance was driven by organic growth and not merely the result of acquisitions'

The foods sector is the largest contributor, with operating profits 44 per cent up at IE3m (IE2.1m). The result includes contributions from its associates, among them

Fyffes, the fruit trader, and Allied Foods. Earnings per share amounted to 7.90 (6.86p) and an interim dividend of 2.4p is being paid.

A good outcome was expected for the year as seasonal factors, particularly in the energy sector, weighted profits towards the second half, Mr Flavin said. DCC spent IS5.1m on acquisitions in the period, including a controlling interest in

Virtus, a healthcare products maker. DCC has been trading at below its issue price for much of the period since going

#### **26%** rise to its management for £750,000 cash. The co-operation between the two companies would, how-

### at ABI Leisure

ABI Leisure Group, the North Humberside-based caravan maker, achieved a 26 per cent advance in pre-tax profits from £2.84m to £3.58m for the 12 months to August 31.

Mr George Shiels, chairman, said the improved results reflected both a growth in sales and increased efficiency in the manufacturing group's operations.

Turnover advanced by 14 per cent to £70.6m (£61.8m) with exports accounting for 38 per cent (31 per cent) of the total. Mr Shiels said that as well as growing organically, the group able acquisition opportunities both in the UK and continental Europe. The group has nil gearing (15.5 per cent).

Earnings per share increased to 8.7p (7p) and a final dividend of 2.71p (2.51p) is proposed for a 4.06p (3.76p) total.

Herring Baker Herring Baker Harris Group, the chartered surveyor and property adviser, has announced a series of restructuring measures, including the disposal of a subsidiary. Herring, which incurred

over the same period. The company intends to pay a supplementary dividend of 0.25p for the year ended March 31 so as to satisfy the level of payment required by Irish leg-islation in order to obtain dis-

#### final was 1.52p.

**Emerald Energy** Emerald Energy, the USM-quoted oil and gas explorer, is raising £485,000 shares at 2p with funds managed by GFM International Investors, the investment arm of Metropolitan Life:

GFM will become Emerald's second largest shareholder. The shares rose %p to 2%p. The proceeds will be used in the development of its interests in the US. John Foster

Continuing progress in the reshaping and restructuring of its business helped John Foste & Son. the mohair topmaking, worsted and spinning concern. cut losses from £921,000 to £605,000 for the half year to August 31.

The company said the result was in line with expectations. The second half was likely to be similar to the first and an overall loss was expected for

Although the wool textile industry was generally more buoyant and the forward order book stronger than for some time, margins remained under considerable pressure due to the recent sharp rise in wool

Turnover dropped from £8.4m to £6.2m. Losses per share were 5.4p (8.4p).

#### Adare at 1£798,000

Adare Printing Group, the Dublin-based USM concern, almost doubled interim pre-tax profits to I£798,000 (£787,000) on turnover 59 per cent ahead at

Last year's figures for the period to October 31 were IS419,000 and IS12.6m respec-Mr Nelson Loane, chief exec-

utive said Alexander Pettigrew and Label Converters, acquired in the first quarter. had been "assimilated smoothly" and were performing to expectations.

Earnings per share came out at 8.77p (5.87p). The interim dividend rises to 1.0395p (0.945p).

**Abtrust High Income** Abtrust High Income Trust

which aims to provide quarterly income with potential for capital and income growth, has declared a second interim dividend of 1.4p.

The total dividend so far of 2.8p is in line with the forecast

Net revenue for the period from the trust's incorporation in February to September 30 was £1m. Net assets per share stood at 89.25p, with earnings per share of 3.28p.

#### F&C Income

Foreign & Colonial Income Growth Investment Trust reported net revenue of £795,000 for the period from incorporation on February 3 to September 30. Earnings per share came to 1.85p and there is a maiden interim dividend of

Net asset value per share at the end of September was 92.6p against 96p six months earlier.

#### 9 MONTHS SALES: + 14.4 FOLLOWING CONSOLIDATION OF FOUR NEW SUBSIDIARIES

Further to the recent transfer and purchase of shares (release of 22 September 1994), L'ORÉAL has decided to include COSMAIR Inc. USA, COSMAIR CANADA Inc., LORSA/FAGEL (Switzerland) and PROCASA (Spain) in its scope of consolidation as from 1 July 1994. Consolidated sales for the first half of 1994, i.e. before the new consolidation,

increased by 5% using published figures. Using the same scope of consolidation, profit on ordinary activities before taxation, employee profit-sharing and

capital gains and losses for the six months to 30 June 1994 stood at FF 2.61 bitlion, an increase of 6.5% compared to 30 June 1993. Consolidated sales for the first nine months of 1994 under the new scope of consolidation amounted to FF 34.46 billion, an increase of 14.4% using pub-

Under the former scope of consolidation, the increase, using comparable figures, would have been + 7.6 % compared with + 6.5 % at the half-year stage (30 June 1994) and + 4% after the first quarter (31 March 1994).

For the whole of 1994, sales for the new scope of consolidation could amount

to just over FF 47 billion based on exchange rates at 30 September 1994. This would represent an increase of 17.5% to 18% using published figures.

Excluding any major changes in exchange rates between now and 31 December 1994, we can expect a 20% increase in consolidated profit on ordinary activities before taxation compared to last year.

For further information, please consult your bank, stockbroker or financial institution as well as your usual newspapers. More details can be obtained by writing to the Business Information and Investor Relations Director, L'ORÉAL, 41, rue Martre, 92117 Clichy, France - Fax: 33 (1) 47,56,80.02.

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Over 3 up to 4	8	8	81/2	8%	81/4	85%
Over 4 up to 5	814	81/4	8%	8%	8%	8%
Over 5 up to 6	8%	8%	84	81/2	8%	8%
Over 6 up to 7	81/2	81/2	8%	8%	8%	9
Over 7 up to 8	8%	8%	8%	8%	8%	9%
Over 8 up to 9	8%	8%	8%	8%	8%	91/4
Over 9 up to 10	8%	8%	8%	8%	8%	94
Over 10 up to 15	8%	8%	8%	9%	9%	914
Over 15 up to 25	8%	8%	8%	91/4	914	9%
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LEGAL **NOTICES** 

IN THE HIGH COURT OF JUSTICE

IN THE MATTER OF VICTREX MANUFACTURING LIMITED AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 26th day of October 1994 prescared to liter Majesty's High Court of Junice, for the constitution of the share pression account of the above-samed Company in the ware of £10,003,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registure Backley at the Royal Courts of Justice, Stand, London WCDA ZLI, on the 7th day of December 1994.

ANY Creditor or Shurcholder of the Company desiring to oppose the making of an Order for the confirmation of the cancellation of the maid share pennium account should uppear at the time of the December of the paid share pennium account should uppear at the time of the December of the paid share pennium account of the Course for the papear.

A copy of the said Petition will be furnished to ch person requiring the vame by the tentioned Solicitors on payment of the ed charge for the same.

Dated this 24th day of November 1994.

FINANCIAL TIMES

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# **Financial Times Survey European Regional Financial Centres**

Manchester

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Alexander Burger

Father Fathers

A STANKA

WEAOIO1

hree weeks ago, shortly after being named a car-dinal, the archbishop of Ravenna chose to comment on the strictly secular topic of takeovers in the Italian banking sector.

DAY VOVEMBER 24 log

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Italian newspapers reported that Cardinal Ersilio Tonini and his counterpart in nearby Bologna had come out in support of the local bank. Credito Romagnolo, which was preparing to fight off a hostile bid from Milan-based Credito Italiano.

archiepiscopal intervention prompted some indignant muttering on the part of Credito Italiano's advisers, but it should have surprised nobody. Indeed, it probably belps explain why it has so far taken more than mere legislative reform to restructure the country's overcrowded banking sector.

For one thing, the event illustrated how deep the regional roots of some of Italy's 1,037 credit institutions go, and how difficult it could be to untangle them. For another, it drew attention to the atmosphere of papal intrigue in which the Italian banking shake-up is being carried out.

Technically, the Bank of Italy - responsible for banking supervision - has limited legal power to impede bids and mergers in the banking sector, except in certain circum-stances, such as failure to observe competition rules, or an increased risk of insolvency. indeed, as Mr Tommaso Padoa Schioppa, the central bank's deputy director general, told a conference last week: "It is not up to the supervisory authority to choose the best operation, nor to carry out a particular plan or direct the outcome on the market."

Mr Lamberto Dini, Italy's treasury minister and former director-general at the central bank, has also publicly stated that the treasury will leave the outcome of the banking shake-up to the market.

But many senior Italian bankers believe that the central bank must have a philosophy and a vision of the future of the Italian banking sector, and should be exercising "moral suasion" - or, as one

# Waiting for a puff of white smoke

The authorities prefer that evolution of the sector be left to the market, but many bankers would welcome a philosophical vision of the future, says Andrew Hill

banker puts it, "nods and ter - the Italian government winks, like the Bank of England" - to ensure that the myriad institutions under its control move towards that

Meanwhile, within the private sector. Mediohanca, the Milan merchant bank which has built a network of unparalleled influence over Italy's largest financial and industrial companies, is said to be pulling strings to realise its own vision of Italian banking. Most out-side observers believe that both the Credito Italiano approach to Credito Romagnolo, and the almost simultaneous move on Banco Ambrosiano Veneto by Banca Commerciale Italiana.

put the final element of bank-ing reform in place, giving public banks the chance to change their identity from foundations, trusts and associations into joint stock corporations, and float off part of their banking operations.

Reform was also supposed to set off a spate of mergers and takeovers in the sector. Italy's second biggest savings bank. Cassa di Risparmio di Roma, quickly bought 65 per cent of Banco di Roma, in October 1990, to form Banca di Roma. Other casse di risparmio allied with Cariplo, the Milan-based bank which claims to be the world's largest savings bank. were inspired by Mediobanca. But compared with expecta-

ALSO\_IN THIS 4-PAGE SURVEY

C Credito Romagnolo fights to keep its local roots ☐ Share dealing goes on-screen, and more self-offs are likely A difficult year in government bonds markets 13 Why bad news is good news for the insurance sector

not commented.

The idea that anyone should covertly tamper with the free market is anathema to many in the new generation of Italian investment bankers, weaned on Anglo-Saxon attitudes to banking and market supervision. But the evolution of the Italian financial sector has produced a unique creature, which may require special treatment.

The list of more than 1,000 Italian banks is the heritage of decades of restrictive rules, which protected financial institutions from competition by banks from outside their designated territory or sector of activity. With the 1990 Amato Law - named after the Socialist treasury minister, Mr Giuliano Amato, later prime minis-

The bank itself, as always, has tions at the time, there have been few attempts to consolidate, and even the largest Italian banks remain small by US,

Japanese or British standards. However, within the past 12 months, the sale by IRI, the state holding company, of the rest of its shares in Credito Italiano and Banca Commer-ciale Italiana has triggered off what could be a second wave of bids and mergers. Italian banks are compara-

tively well-capitalised. But this only adds to the concern that fear of being overtaken in the national league of big banks will fuel indiscriminate bingeing by nervous financial institutions. The result would be to exchange a range of medium-sized, comparatively lean banks for an uninspiring collection of flabby giants.
"I don't believe the Italian

banking system can afford to concentrate just on size," says Professor Mario Sarcinelli, chairman of Banca Nazionale del Lavoro, 54 per cent of which is still owned by the treasury. "The problem of the Italian banking system is profitability and efficiency, it's not size, or just size."

The past two years have

exposed this weakness. In 1993, for example, banks' net profits were hit by heavy provisions and tax charges, in spite of an overall 28 per cent increase in operating profit at the largest Italian banks which account for most of Italian banking turnover. Half-year results for this year suggest that the situation will be worse in 1994. Banks' loan portfolios are still in the shadow of recession. even as industrial companies emerge into a more prosperous period; and the increase in interest rates has hit revenue from securities trading, which was particularly strong in 1993.

Productivity is improving, according to the Italian banking association (ABI), and staff numbers are dropping, but there is still a long way to go, and the banks are hampered by rigid labour rules, fiercely defended by trade unions, which have staged a series of one-day strikes. Negotiations between management and unions were completed earlier this month, with workers offering some concessions on longer opening hours, and there are indications that a jobs-for-life mentality is beginning to disappear. But, as one senior Italian bank executive points out: "The average employee takes it for granted that we have a situation in which there can be



no firing or labour-shedding in the Italian banking system. This is clearly wrong."

The reform of the system has helped Italy to increase the number of branches across the country from only 6,000 in 1990 to 22,100, leading to concerns that the network may now be saturated. Now the problem. according to ABI, is that, whereas there is a surplus of branches in some areas (for example, Tuscany, dominated by the ancient Siena-based bank, Monte dei Paschi), in other areas, particularly the poorer, south of the country, there is a lack. "The main towns are certainly overbranched," warns Mr Luigi Coccioli, ABI deputy chairman and chairman of Banco di Napoli, one of the south's biggest

In that respect, the consolidation of northern banks is a worrying development, because it could deprive southern customers of the efficient, stable and customer-friendly banking

system which should emerge in the more competitive north. increasing the attraction of usury - which is still widespread in Italy - and other dubious financial services.

Hence the attempts of the Bank of Italy and treasury to encourage further modernisation of the system, and, in particular, the increased "privatisation" of the banking branches controlled by the many charitable foundations across Italy.

"The high proportion of banking activity which, from an ownership point of view, is still in public-sector hands shows that the likely route to privatisation for the banks is still long, and the foundations will be the ones to complete it," Mr Padoa Schioppa said last

Clearly, observers will have to wait a while before a puff of white smoke from the Bank of Italy indicates that the new Italian banking sector has been

Technically, the Bank of Italy has limited legal power to impede bids and mergers in the banking sector... Picture Travor Humphr And Lamberto Dini, treasury minister, has said the treasury will leave the banking shake-up to the market Power Ashin Ash



#### Sanpaolo, the largest Italian bank: from 1563, a tradition of innovation in the Italian Markets.

1563: Istituto Bancario San Paolo di Torino is founded in Turin. 1991: Sanpaolo becomes a public company. Between these two dates a small credit institution grows into the largest bank in Italy, ranking among the top 50 in the world in terms of assets.

As the 21st century approaches, Sanpaolo has 1,100 branches in Italy and 12 branches located abroad, 190 trillion lire in assets, over 110 trillion lire in funding from clients, and 20,000 employees that offer a complete range of products to over 4 million clients. The bank's traditional business activities consist of retail & commercial banking, as well as mortgage and agricultural banking. Additionally, the bank has developed expertise in a wide range of financial services, including corporate finance, project financing, capital markets, private banking, fund management, leasing and factoring.

Through its principal Capital Market Groups located in Turin, London, and New York the bank can offer investors direct access to the Italian securities markets. Sanpaolo is a leader in the Italian fixed income market and its derivative instruments. It is a market maker in BTPs, CTEs, Eurolira and ECU bonds, Lira and ECU repos. Sanpaolo is

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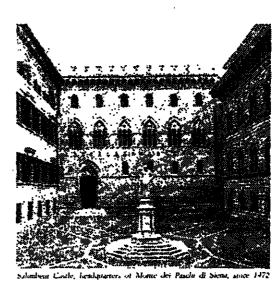
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#### ITALIAN BANKING AND FINANCE II

Andrew Hill examines the banks' efficiency

# Analysts stress the ratios that matter

Italian banks are usually ranked according to their total assets or equity, a list in which the laurels are always taken by the biggest credit institutions.

These are the so-called banks of national interest, like Banca Commerciale Italiana and Credito Italiano; the six former public law credit institutions" like Istituto San Paolo di Torino and Monte dei Paschi di Siena; and the largest savings banks (casse di risparmio), such as Cariplo and the Banca di Roma

The spate of recent merger and takeover proposals has, however, reminded Italy that, wherever its banks stand in the national ranking and whatever the outcome of the current bid battles, its credit institutions still have a comparatively lowly place in world rankings. The question is whether this lack of bulk matters, and whether a rush to consolidate might distract banks from the more important aim of improving internal efficiency.

Many bankers and banking analysts are now looking at other criteria to judge Italy's piggest financial houses. They suggest the banking sector should be paying more atten-tion to its efficiency ratios - the relationship between profit and assets, for example, or, quite simply, the net profit figure.
Attempts to assess the rela-

tive efficiency of Italian banks in this way produce a quite different ranking. For example, Credito Romagnolo (Rolo), preparing to fight off a bid from Credito Italiano (Credit), has made great play of a list of Italy's top 20 banks, which sets 1993 gross operating profit against assets, and ranks Rolo as the fifth most profitable bank, and Credit only 13th.

Similarly, Banco Ambrosiano Veneto, which seems to have successfully blocked attempts at a takeover, ranks seventh. while its erstwhile suitor, Banca Commerciale Italiana (BCI), comes in 11th. All such rankings can be misleading if one-off elements are not taken into account, of course, If one compares gross profit, for example, the level of provisions - an mportant element in judging banks' accounts - is not included. But if, for example, only net profit is judged, then the distorting effect of tax

charges can blur the ranking. In any case, both BCI and Credit have fought back against the implication that they may be less efficient or profitable than Rolo and Ambroveneto They point out that all four banks are efficient institutions relative to the sector overall, and that during the recession both Rolo and Ambroveneto have been working in slightly easier markets (respectively, the prosperous areas of Emilia Romagna and the Veneto) than their suitors. Credit's supporters argue, moreover, that Rolo lacks the international presence of the larger bank, which would ease the way for Emilia Romagna's many exporters.

Looking at the whole European banking sector, Mr Wilham Vincent, European bank-

If you get in touch with Banco

di Napoli, you will find out

that it is not only a great bank,

but above all a large service

network with more than 800

branches in Italy and in the

italy's biggest banks (loss)\* (Lbn) 109,477 Şan Paolo di Torino 70,308 70,102 Banca di Roma Banca Nazionale del Lavoro 50,127 Banco di Napoli 45,409 Credito Italiano Monte dei Paschi di Siena 42,378 (849) 201 Credion

wants to export its products to

Guatemala or Kuala Lumpur.

the small cassa is unable to

guarantee all the paraphernalia

of bills of lading, export credits and so on." He is adament, how-

ever, that enthusiasm for

expansion must be matched by

a desire to confront the difficult

challenges of rationalisation and improving efficiency.

in this, Italy's biggest bank-

ing groups need to learn from

their past mistakes. Banca Naz-

ionale del Lavoro, for example

erred when it indulged in what

one observer close to the bank

describes as an "imperial" phase during the 1980s. New

subsidiaries were started up,

the Rome head office expanded,

and international branches

were added without paying

enough attention to the quality

of staff recruited overseas. The

phase culminated in the embar-

rassing scandal of unauthorised

loans to Iraq made by the

group's Atlanta branch. Now,

under new management, BNL is amalgamating its subsidiaries

into the group structure, and

will concentrate on efficiency

improvements to consolidate its

position as the third or fourth

group which until the recent

reforms was one of Italy's few

medium-term lending institu-

tions, tried to expand internationally in the 1980s, but had to

rein in its ambitions when it

realised that to achieve its aim of becoming a global operator at

that time would have been, in

the words of one banker, "very

The risks of domestic expan-

sion are less obvious, and all

bankers talk of the need to

reduce the number of banks in

Italy from over 1,000 to nearer

the 200 or so which analysts

believe the market can support. But, as Mr Coccioli of ABI

ise efficiencies, management

must take on powerful banking

unions, backed by rigid labour

agreements: local politicians. who identify the regional bank

with the future prosperity and

identity of their constituency;

and the technological challenge

of linking up different computer

As one analyst puts it: "You

can see the advantages for Italy

and Italians of consolidation - a

greater range of financial prod-

ucts, and so on - but it's far

harder for the banks themselves

stitution granting medium

and long-term loans in sup-

port of agriculture, industry,

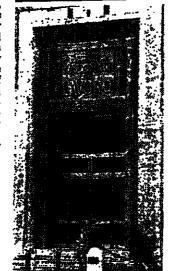
exports, building and public

works. Since 1539 we have

noints out, there is still a hear cost to rationalisation. To real-

expensive and very risky".

largest Italian institution. In the same way, IMI, the diversified financial services



BML has been faulted for including imperial phase in the 1960s

ing analyst with Schröder Securitles, says that the banks which stand the best chance of succeeding are not necessarily definite niche in the market. That sounds positive for

Italy's myriad smaller banks, narticularly as they have the closest links to the small and medium-sized companies which are the backbone of the Italian economy. On the other hand, as Mr Vincent himself points out, it is the same small companies which have suffered most in the recession, and as a result many of Italy's smaller banks have been hit by heavy provisions against bad loans.

Mr Luigi Coccioli, deputy chairman of the Italian banking association (ABI), sees both sides of the problem. He is also chairman of Banco di Napoli, one of Italy's biggest and oldest hanks. But Banconapoli's customers also include a large proportion of small and mediumsized enterprises, based in the south of Italy, which has been particularly hard-hit by recession. The bank had to announce a heavy first-half loss this year. and suffered the indignity of having its credit rating downgraded by Moody's because of

"deteriorating asset quality".

Mr Coccioli still defends the ability of a larger bank to provide a better service than its smaller competitors, however especially for expanding companies: "The local cassa di risparmio can certainly take care of a small textile company in its home town, but if that company

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with companies operating in had a single aim: being al-

■he regional bank with powerful roots in the local community has persisted in Italy long after it has waned or disappeared elsewhere in Europe. But this phenomenon could

well be about to change as th banking system begins to concentrate. In this process of concentration all eyes are on the fate of Credito Romagnolo (Rolo), the highly profitable Bologna-based bank which is rooted in the rich Emilia Romagna region of north-central Italy.

The bank dates back to 1896

when it was founded as Piccolo Credito Romagnolo. Over the course of nearly a century, it has become a local institution, symbolising the region's tradition of hard work and thrift. These deep roots are also reflected in the 28,842 small shareholders who possess 22 per cent of the stock.

"Our shares are passed down from generation generation," says Mr Emilio Ottlenghi, the chairman. "Sometimes they are sold at marriage to buy a house; but then they are bought back

with subsequent earnings."

But as Mr Ottolenghi talks, in the bank's magnificent board room decorated with frescoes by the three Caracci brothers - the great 16th century Bologna artists - there is a sense of apprehension. Such solid traditions are at

At the end of October, Rolo became the object of a hostile bid by the recently privatised Credito Italiano, offering L2,010bn for 48.2 per cent of the shares. In response, Rolo revived and enlarged plans to merge with its long-standing local rival - Caer, the holding for the Cassa di Risparmio in Bologna (Carisbo).

If Credito's bid is successful, this would create Italy's Profile: Credito Romagnolo

# Rolo fights to keep its roots

Alternatively if it fails and the Fiat and the Agnelli family. Mr Rolo-Caer merger succeeds perhaps with the help of a big white knight it would create the 10th largest banking

The battle is going to be hard-fought, and one suspects it will be full of surprises given the untried and often ambiguous nature of Italy's 1992 take-over laws. Rolo's main arguments against being absorbed by Credito are quite simple. The bank recognises the Credito deal may benefit a few individual shareholders. but it will be detrimental to the bank's operating efficiency. eliminate its local identity and prevent Rolo's own healthy "organic" expansion.

he bank argues that its profit base would become obscured and would be used to bolster a large, flabby organisation. The bank also claims that the absorption by Credito would lead to the loss of of over 1,000 jobs among the 6,200 Rolo employees. The question of Emilia Romagna losing its "local" bank to Milan, combined with the question of potential job losses, are clearly the most political aspects of the bid.

Rolo, with total assets of L31,154bn, is currently controlled by a core of shareholders put together since 1988 by Mr Carlo De the Olivetti Benedetti. chairman, in the wake of a tough four-year struggle against a rival group led by

De Benedetti controls just under 5 per cent, while the biggest single shareholder is France's BNP with 6.3 per cent.

In the month-long run-up to the bid launched on October 26, Rolo shares moved from just below L11,500 a share to over 1.13,700, in part reflecting Credito's accumulation of a 2 per cent stake. Bourse gossip had it that Credito was talking to at least one large Rolo shareholder, offering up to L18,000 a share prior to the announcement of The bank's statutes impose a

10 per cent ceiling on individual shareholdings precisely in order to preserve the diffused nature of share ownership. Persuading Rolo shareholders to change this norm represents a big hurdle. It will need to be overcome this statutory block in the case of the merger as well. The merger is on the basis of 1.31 nominal L1,000 Rolo shares for one nominal L10,000 share of Caer. Caer, controlled by a foundation with 93 per cent of the capital, would then posse 30 per cent of the new entity's

The two local banks will also have to explain more clearly why they should have revived so hurriedly a merger project which had been dropped only a month previously after more than a year of discussions, and which had the blessing of the Bank of Italy. Rolo executives

Emilio Ottlenghi: 'Our shares are passed from generation to generation'

been shelved - not dropped since the structure of the deal was unsatisfactory. Only a limited range of services was included in the original merger, and the subsidiaries of both institutions were excluded.

Now, the new merger plan-is comprehensive and covers every aspect of both groups. Role counters Credite's claim that the merged bank offers limited growth prospects operating in a saturated area. Executives say the activities of Rolo and Carisbo, the main savings bank arm of Caer, are remarkably complementary. Rolo is involved in retail banking and has a fast-growing client portfolio management business: Carisbo, on the other hand, has a strong presence among local authorities and does more term lending. Ironically, it was the failure

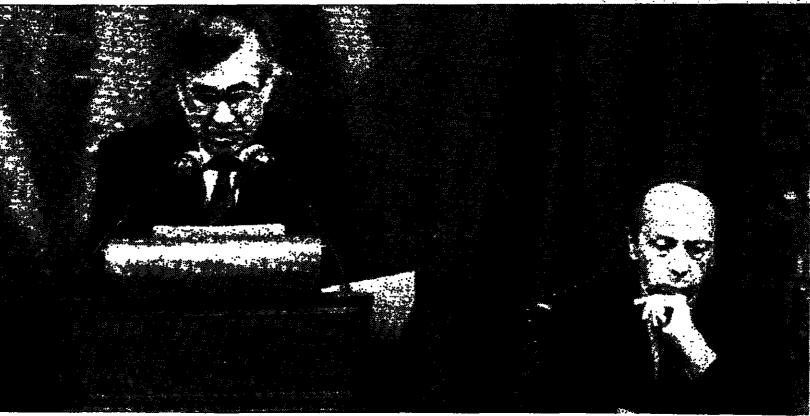
of the original Rolo-Carisbo

marriage that suddenly made Rolo an attractive take-over target. Until that time it looked as though the merger would be an effective barrier against raiders, allowing the two to consolidate in Emilia Romagna and fan out from there, building on Rolo's successful four year-old venture into the economically vibrant Friuli-Veneto region through

The state of the second state of

Banco di Friuli. in the battle ahead, both Credito and Rolo face many unseen obstacles. Not least of these is the legal position of the takeover in relation to the Rolo-Caer merger. Which of the two options for instance takes precedence? Should the takeover be allowed first to run its course? The takeover was amnounced first, but it was not formally initiated until after the merger was agreed

Robert Graham



Lamberto Dini (right) previously worked with governor Antonio Fazio at the bank. They are pictured together in 1993. Problems arose when Mr Dini became treasury minister

Robert Graham analyses the rift between the government and the central bank

# Scars that will not heal easily

the Bank of Italy would enjoy an uneasy relationship with the inexperienced right-wing coalition headed by Mr Silvio Berlusconi.

Yet no one foresaw the degree to which the central bank and the government have fallen out. On occasions, the two have scarcely been on speaking terms as the bank has fought a rearguard action almost unprecedented situation in a G-7 country. Even if now both sides are making a determined effort to establish a proper working relationship. the scars left by these scraps will not heal easily.

The bank will also continue to find itself in a difficult position regarding monetary policy and interest rates, where it risks being on the opposite side of the fence. The government wants interest rates to go down to lower the cost of servicing Italy's huge debt stock and so keep the 1995 budget deficit projections on course, Mr Lamberto Dini, the treasury minister, believes once the 1995 budget is approved by parliament, then interest rates should go down. The bank, on the other hand, is far more cautious.

On the other hand, Mr Antonio Fazio, the governor, has repeatedly said his priority is to protect the currency and ensure that inflation does not return as the domestic recovery strengthens. This led him to raise the discount rate in mid-August by half a percentage point to 7.5 percent, and he has warned that he will not hesitate to do so again if the circumstances require.

Indeed, in the bank's latest quarterly bulletin, it politely told the government that the 1995 budget projections for the cost of debt service were too low and the deficit consequently greater. The bulletin also doubted the feasibility of achieving a 2.5 per cent ann-Traditionally this has been a

ualised inflation target next The problematic relationship began from the very start of the new administration in May, when Mr Dini was recruited to the treasury from being the bank's director-general - the number two job in the bank's four-man executive directorate. As treasury minister, he immediately became the single most important government figure determining economic and financial policy.

The Bank of Italy has always enjoyed a good and close relationship with the treasury. with the central bank often supplying the latter's best technicians. However, in this

Italy's regional offices), and the appointment is then approved by the cabinet and the head of

consensual process between the various actors. But the Berlusconi government was heavy-handed in trying to influence the choice of candidates – imposing a veto on Mr Tommaso Padoa Schioppa, the senior of the two deputy directors, because he was considered too close to Mr Ciampi. Instead the right-wing coalition insisted on an outsider, which the bank resisted.

As a result, the stand-off lasted from June until mid-October when the bank named Mr Vincenzo Desario, the junior of the two deputy direc-tors, as a compromise candidate. Even then the government demurred in accepting

In the bank's latest quarterly bulletin, it politely told the government that the 1995 budget projections for the cost of debt service were too low, and the deficit consequently greater

case matters were clouded by personal sentiment. By seniority, Mr Dini had been the natural candidate to become governor when, the previous year, Mr Carlo Azeglio Ciampi was called from near retirement to become prime minister. However, on that occasion Mr Dini was passed over in favour of Mr Fazio, then the number three in rank in the director-

The friction resulting from this promotion complicated the choice of a successor to Mr Dini. The members of the fourman directorate at the bank are chosen by the institution's governing council (composed of the chairman of the Bank of

the outcome, and delayed approval for almost three weeks to make its displeasure plain.

No one has emerged unscathed from this affair. By waiting so long to name a Dini successor, the bank appeared undecided and therefore subject to political pressure. The bank's governing council also found itself in the embarrassing position of choosing Mr Desario, whose career in the bank has been essentially confined to supervision of the banking system, over a more experienced and internationally recognised central banker. Mr Padoa Schioppa.

As further evidence of sensi-

tivities, the bank decided not to name a successor to Mr Desario in the directorate until the latter's appointment had been digested. The government still wants a say in who takes his job, and thus it may not go to the next in line within the

The coalition's desire to interfere in the activities of the central bank has dragged the institution into the political arena in a way not seen 1979 over the affairs of Banco Ambrosiano and the late banker Roberto Calvi. Members of the coalition have gratuitously attacked Mr Ciampi for his role as honorary governor, arguing that it is unacceptable that, having been prime minister, he should be allowed to retain this position with an office available at the bank. It is is nevertheless bank tradition that former governors have this honorary role.

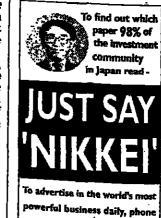
The bank has also been criticised for the way it continues to exclude politicians from the invitation to attend the governor's annual message on the economy on the occasion of the annual meeting at the end of May. Coalition members argue the governor's message is often "political" and that therefore it is undiplomatic to exclude the politicians.

What is more important, members of the coalition have been muttering darkly of the need to re-examine the central bank's statutes. The aim of this would be to regulate the governor's currently unlimited tenure to a fixed term. Another suggestion, vigorously rejected by the bank, is that its supervi-

sion functions be hived off. With the banking system now undergoing radical transformation in the wake of privatisation, the supervision side of the bank acquires heightened

bank now finds itself in a highly visible role as arbiter of the merits of a hostile takeover by Credito Italiano of Credito Romagnolo. With many competing banking - plus political and socio-economic considerations at stake, the last thing the bank needs in these circumstances is a tense

Perhaps the final casualty of the row over Mr Dini's replacement has been rational discussion of the future role of the bank, 100 years old last year. It is the one Italian institution to have preserved its dignity and respect during the past two years of tumultuous political change. Nevertheless, as the banking system is privatised and the state retreats from its dominant role in the economy. it is an opportune moment to reassess the size and precise function of the central bank. Unfortunately, tempers are too heated and the bank has been placed too much on the defensive for a proper discussion.



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relationship with the govern-



ITALIAN BANKING AND FINANCE III

The stock exchange: on-screen trading has proved broadly reliable, says Andrew Hill

# More sell-offs expected next year

although there was a hiccup

early last month when a tech-

nical hitch blacked out com-

puter trading just after the

country's justice minister had

announced his resignation,

interrupting a sharp fall in the

value of equities. After an

investigation, the exchange

authorities declared them-

selves broadly satisfied that the cause was a technical fault

and not sabotage, but small

investors have called for a judi-

A five-day rolling settlement

system, to replace the monthly

account trading system, is also

being phased in, but Mr Ven-

tura says it could be "a few

months" yet before full cash

cial inquiry.

It seems to have been a good year for the Italian stock exchange, if not for the Italian

NY VOVEMBER 24 1994

The Comit index of leading Italian stocks stands at roughly the same level as at the beginning of the year. Equities began a tiring climb up to new highs in March, fuelled by optimism about the new government, only to come tumbling down during the summer and autumn because of uncertainty about the cohesion and resolve of the same administration. Mr Attilio Ventura, chair-

man of the Milan-based Italian stock exchange council, is philosophical about the fluctuation of the market: "In the first six months of the year, the Italian market was the star of Europe - it rose to unthinkable levels. due mainly to the activity of foreign operators. In the second half, they realised good gains and are waiting to come back when the conditions are

Mr Ventura's principal concern is to ensure that when that moment arrives, foreign and Italian investors are not deterred from trading on the Italian equity market because of technical or bureaucratic deficiencies, illiquidity or a Since then, the system has lack of suitable products. In proved broadly reliable,

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Robert Grahan

Domestic companies listed

that respect, he is convinced that Milan has made progress

Milan moved to full onscreen trading in April, adding to its computerised system the few stocks still traded on the floor of the exchange by open outery. The borsa was unlucky in that the switch coincided with one of the busiest periods in the exchange's history - at the height of optimism about the new government's prospects - and the "little bang" was postponed for 24 hours as special measures were put in place to relieve pressure on the

settlement is introduced for all

As far as liquidity is concerned, market operators and stock exchange authorities alike are optimistic about the impact which trading in new equity derivatives should have on the underlying equity market. The first futures contract on the revamped MIB 30 index of heavily traded stocks should begin trading next week and once the market is under way, the exchange is expecting to add an option on the index and, in the first half of next

year, options on single shares. Liquidity has also improved as a result of the privatisation programme launched in 1992. in the past 12 months, the government has turned from private sales to public offers, injecting more shares into the market in the case of the banks, Banca Commerciale Italiana, Crodito Italiano and IMI, which were already quoted, and listing shares in Ina, the insurer, for the first

Under the new government, partly because of inexperience, the privatisation programme has slowed, and concern has been expressed about the appetite of the Italian public for further large sell-offs. Neverthe-

months, the state should sell more of its shares in Stet, the telecoms holding company which is one of Italy's biggest companies by market capitalis ation, and bring to market Enel, the electricity company, and all or part of Eni, the chemicals and energy conglom-

At the same time, the gov-

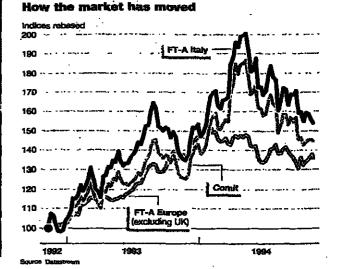
ernment has introduced new rules to protect minority shareholders and bring taxation on share investment into line with other forms of investment. such as bonds, which have traditionally occupied more space in the ordinary household savings portfolio. The stock exchange itself has responded to small investors' demands by introducing a regulated system for the trading of small quantities of shares, which fall below the threshold for on-screen trading.

Privatisation has not been the only stimulus for the market. The overall amount of new capital raised during 1994 had already reached nearly L11,500bn in mid-September, much of that from opportunistic rights issues during the first half of the year. That compares with L16,192bn for the whole of 1993 and only L3,027bn and L4,854bn in 1992



The difficulty for the Italian of Italy's small and medium sized companies, the real motor of the Italian economy, to finance future growth with equity issues, rather than with bank debt

Mr Gianmario Roveraro, managing director of Akros Finanziaria, an expanding Italian financial-services company, says many family-owned companies are reluctant to seek a listing on the stock exchange. "The advantage of being quoted isn't absolutely evident for those companies which generate enough cash-flow to develop the business adequately," he points out.



As director of a company involved in the development of investment and pension funds, Mr Roveraro believes more entrepreneurs might be persuaded to take part in the market if the number of such funds increased, and it became obvious that there was an appetite for new equity. To help this process, the Berlusconi government is already preparing regulatory changes

to encourage the launching of private pension funds. At the same time, the stock exchange, securities houses. banks, industrialists and chambers of commerce are making plans for the establishment of a second

market, for small and

Sceptics are worried that such a market would experience the difficulties as equivalents in France and the UK. but advocates point to the success of Nasdaq in the US as a reason for pushing ahead with the plan.

However, even the backers of the Italian second market agree that this will be a difficult task, requiring the co-ordination of investors, intermediaries, regulators and the companies themselves. "The potential is there, but it could still be a very difficult

Bonds' difficult year

# **Anxiety over** fiscal deficit

Investors in Italy's government bonds markets have experienced a rough ride this year, with a combination of international economic trends and local political uncertainty hitting

As one of Europe's "high yielders", Italian government bonds were hard hit by the general retreat of international investors from bond markets in general and high-yield markets in particular, in the wake of the increase in short term US interest rates in February.

In addition doubts have grown about the ability of the government of Mr Silvio Berlusconi to tackle Italy's high fiscal deficit and its heavy debt burden. The delay in the publicaernment's finanprogramme in July

contributed to initial scepticism. The increase in short-term interest rates from 7 per cent to 7.5 per cent in August followed pressure on bonds and on the ira. Investors have subsequently become concerned that the proposals to reduce the fis-cal deficit contained in the 1995 budget, currently before partia ment, are insufficiently radical and that political tensions may interfere with budget discus-

"The budget relies excessively on one-off measures, thereby postponing more significant action for subsequent years, says Mr Jose Alzola, analyst with Salomon Brothers.

Bond yields have risen steadily, both in absolute terms and relative to paper issued by Germany. The yield spread of the Italian 10-year bond – the BTP – over the 10 year Bund fell gradually through 1993 and contribution of the part of the state of the spread of the state of the spread of the sp early 1994, dropping from a high of 671 basis points in April last year to 255 basis points in May this year. Since then, however, spreads have widened, with the spread in the 425 to 475 basis points range during October and

There are some grounds to suggest these fears are overdone. Reductions in inflation has at least partially reflected the success of measures to intro-duce flexibility to the labour market especially he abolition of the scala mobile wage indexation mechanism in 1993.

The economy is growing: GDP is forecast to increase by 3 per cent in 1995, following an expected 2.2 per cent rise in 1994. Italy has made good progress

over the past four years in improving the efficiency and professionalism of its debt markets, and - not withstanding this year's setbacks - it has made some progress both in making its markets more attractive to foreign investors and in increasing the maturities of its public debt, thereby reducing its vulnerability to shifts in market sentiment and changes in short term interest rates.

Traditionally, the bulk of Italy's debt has been short term. and much of it has been in the hands of Italian families. Since most of these bought their bonds directly, rather than through intermediaries, and tend to hold them until maturity, the debt is also relatively

During 1992 and 1993, Italy began to extend the maturity of its debt, shifting funding away from short-term bills towards fixed-rate medium and

long-term debt. The average maturity of the debt has increased from two years and 11 months at the end of 1992, to three years and two months at the end of 1993, up to three years and five months in February this year, although, since then, maturities have shortened.

Stamp duty on bonds was abolished early in 1994, and the system whereby withholding tax was reimbursed to foreign investors improved. Auctions for medium and long term bonds have been streamlined and the time taken to settle trades has been reduced. In addition a new two-tier system of market making has been established, with a number of investment banks asked to play a more active role in the debt market by becoming super pri mary dealers.

Super primary dealers far there are three, J.P. Morgan, America - must trade in at least per cent of new issues and

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least 1 per cent of trades in each separate class of paper. In addition, they must meet higher num capital requirements. Foreign investors bought heavily during 1992 and 1993, increasing their holdings of liranominated from 4 per cent of overall debt in 1990 to nearly 15 per cent in 1993, although that figure has since fallen back to

128.5 per cent in 1995, is high and remains a source of concern for the markets, which fear it sure on a limited pool of savings and force up interest rates.

However, Italy's ability to tap the international capital mar-kets could reduce possible upward pressure on interest

Mr Vittorio Grilli, head of the treasury's debt management and privatisation department, says that the aim of the government's eurobond programme is modest. It "is a window on the world ... designed to help increase the foreign component of domestic debt."

Italy completed a \$11.6bn euromarket borrowing prober, when it finalised a Y450bn

euroyen issue. However, the fact remains that the government still has room for manoeuvre. Even after the recent issue foreign currency debt is still estimated by analysts at well under 8 per cent of the total debt.

Richard Lapper

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ITALY'S LEADING PRIVATE BANK





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While investment banks and securities firms are building up their Italian activities or turning what was a mere foothold on the peninsula into a base camp for further expansion, their commercial counterparts have mostly retreated,

Lloyds, of the UK, and First Chicago and Wells Fargo, of the US, have all been and gone from the Italian commercial banking sector. Citibank sold its Naples-based chain of banks to Banco Ambrosiano Veneto. Crédit Lyonnais is said to be seeking a buyer for its investment in Credito Bergamasco in northern Italy, while others - Crédit Agricole and Banque Nationale de Paris, National Westminster of the UK, and Creditanstalt of Austria, for example - maintain only minority stakes in Italian partners.

Only Deutsche Bank has made an out-and-out operational success of an Italian commercial banking investment. It has built on its pur-(BAI) from Bank of America in 1986. A year ago, it bought Banca Popo-lare di Lecco, a regional bank based Foreign banks: Andrew Hill traces the contrasting fortunes of retail and commercial institutions

# Deutsche Bank builds on purchase of BAI

300 branches in Italy and 4,200 employees. Underlining its success, the bank has just changed the name of the old BAI network to Deutsche Bank, a brave move in a country which, 50 years on, is still sensitive to anything that implies German occupation.

Mr Gianni Testoni, Deutsche Bank's chief executive in Italy, puts the success down to the German parent's capacity to "think globally, and act locally" and work "prudently, gradually and continuously - but he still admits that the bank is the exception that proves the

For foreign investment banks and securities houses, the market is a little more crowded, and is likely to become even more so. For example, Finanziaria Indosuez, part of Banque Indosuez of France, is beefing up its Italian securities trading and research operation: while Salomon Brothers' New York headquarters took a decision in June to expand its presence from a

tiny representative office to a full bond-dealing operation with a staff of nine or 10.

This is comparatively small beer, compared with the activities of some of the longer-established operators. J.P. Morgan. which has been in Italy for some 25 years, has more than 300 employees in the country, while Morgan Stanley has registered itself as an Italian bank in its push to win even more Italian

business. The main reason why foreign securities houses have increased their profile in (taly in the past four years is the internationalisation of the Italian government bond market, the largest in the world after the US and Japan.

This year the Italian government has introduced a new category of bond dealer - the "superprimary" dealer - to encourage the screen-based second market in government securities. Such dealers are entitled to greater privileges on the market (for example, a right to participate in supplementary bond

issues) than ordinary dealers or primary dealers, but have to take up a greater proportion of issues and trading volume over the year. The title may also appeal to the vanity of anglo-saxon firms, three of which - J.P. Morgan, Morgan Stanley and Bank of America - are

The main reason why foreign securities houses have increased their profile is the internationalisation of Italy's government bond market

among the 12 authorised superprimary dealers, while others are believed to be considering an application.

For these banks, the Italian market has enough potential to justify a little local bureaucratic inconvenience, one of the elements which has hampered the growth of foreign companies in the commercial and retail banking

For example, UK merchant banks attacked the Italian law which restricts direct access to the market to locally registered securities houses, called Sims, claiming it was against EU rules. But most have still opted to establish a Sim, or buy into an existing firm, rather than wait for the European Commission or Court of Justice to rule on the case. Schroders, for example, is poised to receive a Sim licence, and by the end of the year should have 15 corporate finance professionals and 25 securities traders working

mainly out of its Milan office. "At the end of the day, it's probably going to take you almost as long and cost you more to fight the Sims law." admits one foreign

However, many UK and US firms still maintain important operations, including equity-research and corporate-finance activities, in London, sending professionals over to Italy when necessary. Goldman Sachs, for example, has a heads the Italian investment banking operation, says the fragmentation of the market makes it almost as easy to work out of London as out of Milan, when it comes to visiting clients. He adds: "By being in London, being exposed to the rest of the international business community you can bring something to the client that you wouldn't otherwise hring."

Whether based in Italy or overseas, most foreign firms are after a share of corporate finance business in Italy. Mediobanca, the Milan merchant bank, has a firm hold over corporate finance for the largest Italian companies, but the foreigners believe they can capture share of international M&A business, and carve a niche in advice for medium-sized local companies looking to expand. float on the stock market, or take over

competitors. They are also front-runners in the competition to advise on Italy's large privatisation programme,

which was launched two years ago. This has led to much hand-wringing in the liahan press about the dearth of Italian investment banks. Over wihe summer, there were even verted threats from some more extreme members of the new right wins Italian government that respected firms like Morgan Stanley might be cut out of government business if they continued to put their names to unfavourable research about the Italian economy. Happily for foreign firms, these appear to be isolated incidents - indeed, Morgan Stanley has just won the mandate to advise the government on next year's sale of shares in Stet, the telecoms holding company. However, there is certainly increased political pressure to nurture small Italian investment banks, which suggests that domestic competition could hot up over the next few years. That is a trend generally welcomed by

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foreign bankers.
"The culture of the domestic participants in the market has become much more international," says Mr Hendrik van Riel, managing director of J.P. Morgan in Milan. "Anybody can have a view about whether that could have happened faster, but it certainly has, and it's never slowed down. I'm convinced it will continue."

The insurers: casualties are possible

# Life offices hope for new business from pensions

Bad news is proving to be good business for Italy's insurance which hit Italian insurers hard sector, with factors ranging the funding crisis of the country's state pensions system to the war in Bosnia helping to raise profitability.

However, with Europeanwide liberalisation and the increasing incursion of banks into the sector, competition is increasing sharply; and, despite the upturn, the industry could see some casualties in the next few years.

Italy's life assurance chiefs hope that the state's difficulties in continuing to fund pension provision will mean that more Italians will turn to them for savings plans and pension policies. Already growth has been rapid, increasing by between 10 and 15 per cent over the past five years, following even quicker growth in the

Even though spending per head on premiums has doubled since 1988, the industry remains underdeveloped by European standards. Per capita premiums of only \$161 in 1991. an amount equivalent to 0.7 per cent of GDP, compared with 1.1 per cent for Spain and 7 per cent in the UK.

Recent growth has been underpinned by rapid expansion of the bancassurance phenomenon, with most of the country's biggest companies forming links with banks, and a number of banks themselves forming their own life assurance subsidiaries. Banks now sell some 30 per cent of new life premiums, and are expected to increase that share to 50 per cent by the end of the cen-

In the non-life sector, the turmoil in the former Yugoslavia is one of several reasons why claims costs are falling. Military action is acting as a deterrent to car thieves who previously drove stolen Italian cars across that territory to the in the early 1990s has shifted to Germany and France as a result of the war.

"The war in Yugoslavia has closed the main door for car theft," says Mr Pier Giorgio Bedogni, a senior executive with SAI, the country's fourth largest company and a leader in the motor business. The improvement also reflects a general economic slowdown, which has led drivers to make fewer journeys, and a decline in the number of motorists driving leased cars.

Mr Bedogni says that the war campaign against Mafia-inspired violence has helped to reduce crime, especially in some southern cities where there is a military presence on the streets. The fall in claims costs is contributing to a steady improvement in non-life market underwriting results after a period of poor performance across the market at the end of the 1980s.

In addition, although Italian companies have only recently been completely freed from government restrictions, premium rates have risen over the past two years. Mr Bedogni says that, following rises in the non-compulsory classes, which cover damage to the car itself, Italian motor premiums are now among the most expensive in Europe. Further improvement seems likely.

Rate increases averaging 10 per cent have been introduced across the motor market this summer, following the approval of the European Union's third non-life directive. Hitherto, rates in the compulsory third-party motor liability market - which generates an estimated 45 per cent of non-life premiums had been subject to

government control. Although this should all be good news for the industry as a



whole, there is general agreement that competition is intensifying and that many smaller companies, among the 300 or so which populate the market, may be unable to retain their independence.

In the life sector, in particular, traditionally high margins - up to three times those achieved by more efficient French and British companies - are under severe pressure. Typically, Italian life insurers have distributed only 70 to 80 per cent of life fund investment returns policyholders, retaining up to 30 per cent as profits.

Life insurers elsewhere in Europe typically retain only 10 per cent. Companies dependent on agents or financial advisers for their sales could come under especially severe pressure, since banks are able policies with significantly lower overheads.

The privatisation of the Istituto Nazionale delle Assicurazioni (INA), the company which was partially privatised this year, should be completely in private hands by

which will, at least indirectly, spur competition. In the past, existing Italian companies have been obliged to cede 10 per cent of

premiums - and new entrants 30 per cent of premiums - to In the non-life market, there are signs that Italian insurers are beginning to make more use of technology in the way they assess risks. development which should

favour those companies big enough to make the necessary investment. For example, although differences in rates have traditionally depended on the power of the car and where it is based, some companies are now taking into account the risk factors associated with the driver, varying charges according to age, sex and occupation.

Significantly, Generali, the country's largest company, has launched a pilot direct-writing operation, selling motor insurance directly to the public by telephone along lines pioneered by companies such as Direct Line in the UK.

Richard Lapper

Managed funds: small investors are becoming more interested in equities

# Carrot-and-stick from the state

Italy may be the land of the small company, but it is not yet the land of the small share-

Although household savings amounted to nearly 19 per cent of disposal income in Italy last year - a higher proportion than in the US, Japan, Germany, France and the UK less than 4 per cent of those household financial assets are invested directly in equities. Moreover, only 9.7 per cent of the average household's financial assets are entrusted to institutional investors, such as fund managers.

According to the stock exchange authorities, however. the situation is changing, and ordinary investors are beginning to increase their direct or indirect holdings in equities.

There are two important reasons for this metamorphosis. One is privatisation, and the other is the growth of managed investment funds and pension

funds. The initial sales in the government's privatisation proprivate companies; but at the end of last year, the decision was taken to begin a series of public offers of shares in Italy's three state-controlled banks, Credito Italiano (Credit), Banca Commerciale Italiana (BCI), and IMI, which were already quoted on the stock market, and the insurer Ina, 100 per cent owned by the treasury. The declared intention was to stimulate the stock market, and, as in the UK and other European countries, encourage wider share ownership

All the offers so far have been oversubscribed, but although that meant the privatisations were a success from the Italian government's point of view, certain more ambitious advocates of shareholder democracy have been disappointed by the outcome. In particular, they argue that, in spite of restrictions on share ownership, the two big retail banks - Credit and BCI - are now "controlled" by big corporate allies of Mediobanca, the Milan merchant bank which has for five decades repre-



Fount of wisdom: a word in her ear about equitles?

sented Italy's biggest corporate and financial interests. To counter such accusations, the government has introduced

new rules, used for the first time in the privatisation of Ina in June, which allow for a listvoting mechanism at shareholder assemblies. In the case of Ina, that meant three of the 13 seats on the board were reserved for nominees of

minority shareholders. In practice, this has failed to satisfy some of the smallest shareholders, who found it difficult to reach the threshold for nominating a list of directors, and claimed that there had been little attempt by the company, the treasury and their advisers to implement the principles of shareholder democracy, "We wanted to underline the importance of this particular assembly in the context of Italian privatisation, which has been a corporate governance nare until now." said Mi Paul Dionne, of Milan-based PVD Advisories, one of the only corporate governance spe-

cialists in Italy. Mr Lorenzo Pallesi, outgoing chairman of Ina. was particularly critical of the way in which small shareholders had been treated. "I'm sorry that the majority, though very active in supporting its own initiatives, hasn't given space to representatives of small shareholders: we'll obviously need time if Ina is to live up to the pluralism of the new company statutes," he said, at the Ina shareholder meeting earlier this month. In the event, the three minority nominees were elected from the list pro-

posed by Imigest, the fund management arm of IMI, indicating another path towards shareholder democracy: the growth of investment and pen-

sion funds.

This process is likely to stimulated by the carrot-and-stick approach of the Italian government. It is cutting state pension benefits to avoid the collapse of the state system, thus forcing ordinary Italians to consider more innovative methods of retirement provision. On the other hand. it is contemplating the introduction of incentives for the establishment of pension

All participants in the sector are preparing for the growth of this area. For example, IMI, Banca Nazionale del Lavoro. and the INPS state pension institute, are collaborating to offer advice on setting up and managing funds, while insurance companies are also readying themselves to offer more life insurance products.

Whether this will prompt a revolution in the management of quoted Italian companies depends on the freedom given to fund management groups, many of which are directly owned by the same big quoted groups, which might resent any attempt to rock the boat.

That said, there some evidence that fund managers are changing from a passive to an active role in Italian corporate life. Earlier this year. for example, a group of funds warned Sheraton, the US hotels subsidiary of ITT, that they would be particularly vigilant about how the US company exercised its control of Ciga, the Italian luxury hotels group in which the funds have a minority stake.

However, as Mr Pallesi's comments indicate, creeping change of this sort may not be quick enough for the impatient pioneers of Italian shareholder

**Andrew Hill** 

David Lane looks at Italy's most traditional banking institutions

# Support for old foundations

being helped to aspire to the achievements of compatriots Carla Fracci and Alessandra Ferri. Thanks to Turin's Fondazione Sanpaolo, Milan's La Scala ballet school will be leaving its cramped and inadequate facilities for new buildings at the end of next year. Work has just started on a L5bn project

Assistance for La Scala's ballet school adds a new dimension to the benefaction undertaken by the Fondazione Sanpaolo di Torino per la Cultura, la Scienza e l'Arte. Since being established in 1985, it has financed the L12bn restructuring of Turin's Egyptian Museum, and also the restoration of the San Fruttuoso abbey, at Camogli near Genoa. and of the Superga basilica, Juvarra's baroque masterpiece overlooking Turin.

Milan's Brera gallery, churches in Turin and Rome. and the Turin RAI orchestra are also among the beneficiaries to which funds have been channelled.

Gianni Zandano, Sanpaolo's Fondazione allows us to operate on two fronts - first, the restoration and, in the best sense, exploitation of our cultural heritage; and second, the promotion of scientific

attention to the environment. Both areas of intervention directly concern the quality of life in society today. . "The establishment of the

Istituto San Paolo, in 1563, arose from participation in the a charitable body, the Com-

pagnia per il Soccorso dei Poveri, and the Monte di Pieta' whose aim was

dano said, adding that the bank had never fallen short on social commitment. The Fondazione is funded by

Compagnia di San Paolo, which also funds the charitable organisations Ufficio Pio and Educatorio Duchessa Isabella. In 1992 and 1993, they spent L17bn on welfare activities, essentially in assisting people at society's margins. The poor, drug addicts, alcoholics and the handicapped are among

those benefiting. Compagnia di San Paolo is chairman, explained: "The the foundation established when the Istituto Bancario San Paolo di Torino spun off its banking activities in 1991. It owns the Sanpaolo Bank Holding, a joint stock corporation owning 76 per cent of the San

March 1992 and is listed in Milan, Turin and London. The foundation obtains its income from dividends from its shareholding in the bank.

San Paolo, Italy's biggest arose from participation in the banking group, is not alone in life and problems of society, having ties to a cultural and the bank's predecessors being charitable foundation. During years, other public sector Foundations have been

told that many need to banks, including Banco di revise their statutes Napoli. Banco di Sicilia and

to combat usury," Mr Zana- the savings banks (casse di risparmio), have settled on similar ownership structures in which foundations have control. Indeed, Banco di Napoli led the way, being the first to transform itself from a combined foundation and bank into a foundation with a separate bank corporation.

In doing so, Banco di Napoli made use of the Amato Law, the starting point for the shake-up that has been reshaping the public-sector part of Italy's banking system. Passed in July 1990, the law aimed to create the conditions for rationalisation and concentration by offering fiscal incentives. It was also an early, ten-

tative step to encourage bank privatisations. Formerly denominated as

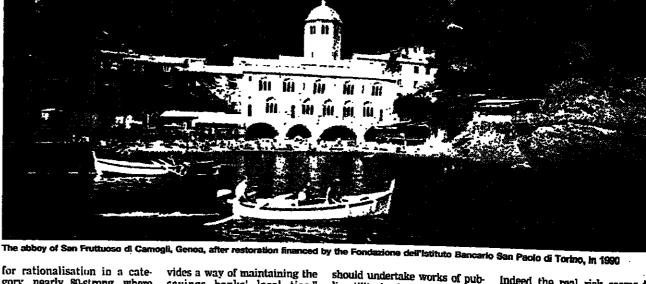
Turin's Sanpaolo and Banco di Napoli both now enjoy stock market quotation. They are leading examples of Amato Law transformations, Cassa di Risparmio delle Provincie Lombarde (the Milan savings bank Cariplo), which ranks fourth on assets and leads in terms of Tier I capital, is another.

Cariplo was transformed in December 1991, the foundation spinning off its banking operations into the Cariplo SpA joint stock corporation. Since then, it has been engaged in a campaign of acquisitions of shareholdings in other savings banks, either directly or indi-rectly through sub-holdings.

It has controlling interests in the savings banks of Puglia, Citta' di Castello, Viterbo, and Calabria and Lucania. Significant minority shareholdings give Cariplo a place in 11 other savings banks in central and northern Italy.

While Carlplo has been casting its eyes over the savings banks and exercising its financial muscle and skills of persuasion to draw some of the many small and medium-sized casse into its orbit. Banca di Roma (controlled by the Cassa di Risparmio di Roma) and the Turin's Banca CRT have been

doing the same.



for rationalisation in a category, nearly 80-strong, where most members operate on a provincial scale and where the average network has less than 70 branches. Some have allied themselves in holdings, a solution adopted by groups of savings banks in Emilia Romagna and Tuscany. Projects for other alliances and for mergers will lead to further concentration among savings banks, a category with nearly 30 per cent of the banking system's

deposits. "The situation is fluid," said Pier Giulio Cottini, general manager of ACRI, the Italian savings banks' association. He noted that the use of holding companies has the advantage of giving a voice to the small participating banks. "It provides a way of maintaining the savings banks' local ties," explained Mr Cottini. Change and fluidity charac-

terise the savings banks' banking operations. Uncertainty is a feature of their controlling foundations. This was made clear at the annual meeting of the Italian banking association ABI in June. Treasury minister Lamberto Dini said that most foundations were pursuing vague objectives, and had an unsatisfactory spread of uncoordinated and non-homogeneous interests.

Mr Dini, whose ministry oversees the foundations while the banking activities are supervised by the Bank of Italy, reminded the foundations that many need to revise their statutes. The law foresees that they

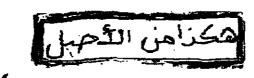
lic utility in the areas of education, scientific research, art and health. Mr Dini wants feasible. detailed programmes. The treasury minister considers that the foundations should co-ordinate their activities, and even merge.

He may appoint a commisstoner if he considers that a foundation is not being correctly administered. The treasury also has the powers to give general or specific indications on how foundations should invest. Mr Dini said that there must be diversification away from banks. A controlling public shareholding is no longer a requirement, Moreover, foundations that sell their bank shares will not incur capital gains tax.

Privatisation is not an issue,

Indeed the real risk seems to be nationalisation. The assets. of the savings banks' foundations, which Mr Cottini estimates at L30,000bn, make them an attractive target for cashstrapped public bodies. With this kind of money

under management, even though annual dividend income is probably a modest L300bn to L500bn, membership of the boards of the savings banks' foundations' offers appetising opportunities for patronage. At present, there is no statutory requirement for independent audit, nor for the publication of annual accounts. Mr Dini could give a boost to transparency, and put the boot into bad old practices, by opening up the foundations to pub-





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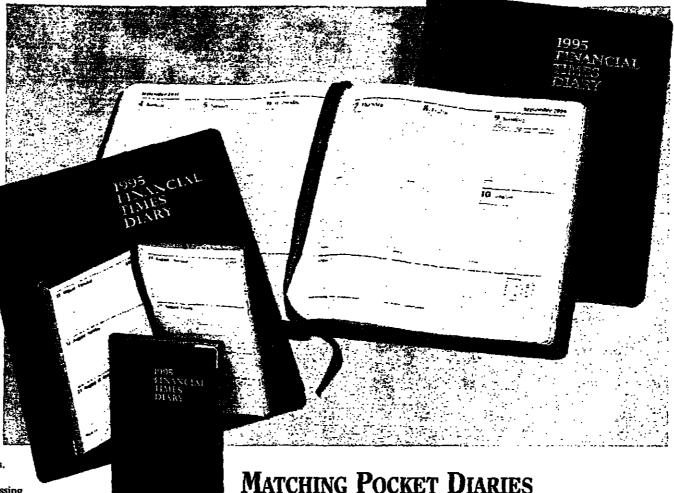
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This edition of the FT Desk Diary contains over 100 pages of information covering 62 American and Canadian cities. A full colour world atlas and 25 city centre maps are included. The Pocket diary profiles 19 major international cities. Both diaries have a detachable personal telephone directory.

FT North American Desk Diary Runs from November 28th 1994 to January 28th 1996. SIZE: 267mm x 216mm x 30mm Black Bonded Leather

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A slim diary with FT pink pages and a black bonded leather cover with a two-week-to-view format which runs from December 26th 1994 to January 7th 1996. Additional pages contain calendars, year planners and profiles of 16 UK cities. International dialling codes and world time zones are included. FT Slimline Pocket Diary

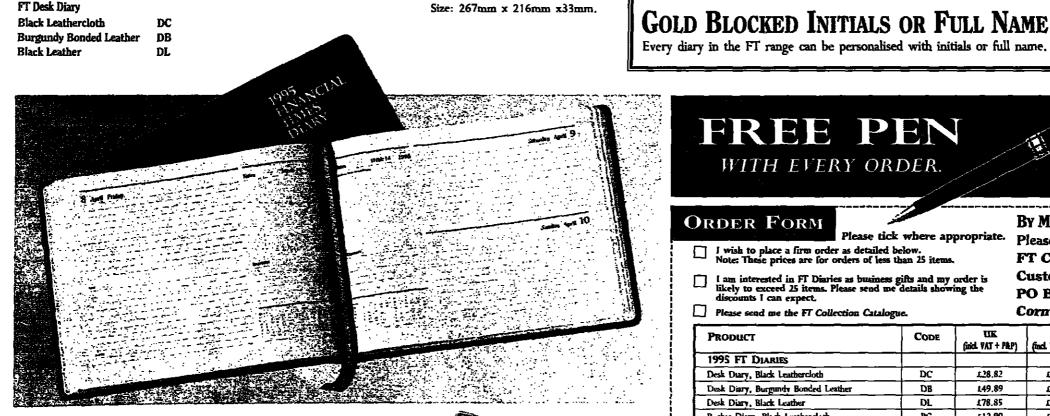
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FT Pink Page Desk Diary

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Black Leathercloth Black Bonded Leather

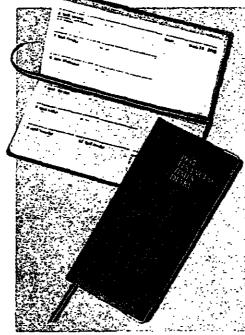
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Size: 190mm x 230mm x 28mm

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# Coffee prices plunge on Brazilian stocks surprise

By Deborah Hargreaves

Coffee prices tumbled yesterday as hedge funds baled out of the market leaving the January futures contract at the London Commodity Exchange \$265 a tonne lower at \$2,870 a

The sharp fall in prices takes the market back to its level at the end of June before the second Brazilian frost sent it over \$3,000 a tonne.

Analysts interpreting technical signals from price charts said the market could rapidly slip to \$2,620 a tonne, the next support point, and after that. to \$2,480 a tonne. If prices break through these supports

damaged coffee trees leading to supply fears.

The downturn was sparked off by the news that Brazilian coffee stocks were 15m bags (60kg each), higher than traders expected. But the influential hedge funds have taken a very negative view of the coffee market in recent weeks, fuelling the price decline.

Roasting companies, which have seen purchases fall in the shops, have their needs well covered and are not rushing to buy as the market drops.

There is a significant battle between producers and consumers over which way prices go," said Mr Lawrence Eagles. analyst at GNI, the London

place before Brazil's first frost brokers. "The market is awash with coffee now, but it will be Hght again next year."

• Prices on the London Metal Exchange finished lower but trading was not particularly hectic, writes Kenneth Gooding. Traders said copper led the way down and pulled other metals with it. Mr Angus MacMillan.

research manager at Billiton Metals, said the metal markets were overdue for a more substantial downward "correction" but it was too early to say whether the falls seen this week were the start of this process. Prices could fall substantially before the year-end if the investment funds decided to lock-in their profits, he said.

# CAP sweeteners proposed for central Europeans

By Lionel Barber in Brussels

The European Commission yesterday proposed short-term action to redress the imbalance in agricultural trade between the European Union and the former socialist countries of central and eastern Europe.

The proposals are intended as sweeteners to the central Europeans ahead of the diffi-

common agricultural policy. Without further CAP reform. Poland, the Czech republic and Hungary, the front-runners. have little chance of realising their goal of EU membership by the turn of the century.

The commission plans to adapt the EU association agreements with the central Europeans to take account of the

cult debate on reform of the Gatt Uruguay Round, which will substantially cut the volume of subsidised food exports. The proposals - which must be approved by ministers from the member states - include: Reduction of all customs

duties by 80 per cent where preferential access to the EU market has been provided by

tariff quotas.

already granted in the association agreements, so they can begin in July 1, 1995.

· More flexibility for the central Europeans to take advantage of tariff quotas. This would mean regrouping individual tariff quotas for a particular sector into one global

The commission is also promising to conclude agree • An increase in tariff quotas ments with the associated EU by 10 per cent per year for five members - Poland, the Chech republic, Hungary, Slovakia, Bulgaria and Romania - on sanitary and plant health matters. The aim is to prevent a recurrence of the row over selective import controls on animal exports last year.

# Moscow sugar futures start next week

The Moscow Commodities ary the first delivery month. Exchange plans to start trading rouble-denominated white sugar futures on November 28, officials at the exchange said yesterday, reports Reuters

from Moscow. Trading will be for standard tional trade house] among the one-tonne contracts with Janu- participants. Sucden will also

Mr Vladimir Totsky of the exchange's futures department said he expected both Russian and foreign traders to partici-"We already have oate. E.D. & F. Man [and interna-

be present at our first trading session," he said. Russian participants were Russky Sakhar, the Eastern European Company and Prodimpex.

Officials said trading would be based on the electronic

world. "This creates a cavalier

In an effort to slow down the

rate of deforestation, Mr Dja-

maludin announced that the

total annual allowable cut

would be lowered to 22m cu m

from 32m. It is a bold move,

but does not address another

cause of accelerated deforesta-

tion in Indonesia - illegal log-

Mr Indro Tjahjono, a co-or-

dinator at Skephi, an Indone-

sian pressure group working

for forest preservation, says 40

illegal. Other estimates put the

The scale of illegal logging

around 60m cu m a year.

attitude towards the resource."

said a forestry consultant.

# Indian coal tender result worrying for steel producers

By Gerard McCloskey

Steel producers have been given a sharp reminder of the state of the coking coal market with the results of a tender by the Steel Authority of India. Not only has it been under-subscribed – there simply is not enough coal available but prices are up to \$10.50 higher than the current level of the Japanese steel mills' contracts of \$45.45 a tonne,

Lo.b. Australia and Canada. The tender result comes just as coking coal suppliers are gathering in Tokyo at the start of negotiations of prices for deliveries in 1995-96. Although the steel mills have offered roll-over prices, the debate will be over not whether there will be a price rise but the extent of

The Indian tender saw just 1.5m tonnes offered against a to 60 per cent of all logging is request for 2m for 1995 supply. A further 450,000 tonnes was demand for illegal logs at bid but breached the stringent World Bank conditions for qualifying bidders. The result has put the mill in an extreme

underlines the urgent need for effective policing. Ms Emmy quandary. Not only are the Hafild, of the environmental prices high - the lowest Australian bid is \$7.50 higher than pressure group Walhi, points out that some 50 per cent of the Japanese price - but the option to offer more tonnage in the Ministry of Forestry's employees work in Jakarta. exchange for coal producers "They're in the wrong place," she says. "They should be out being flexible on price levels is not available this year. there in the field guarding the forsimply is no coal available.

JOTTER PAD

Steel producers in both Asia

and Europe are bracing them selves for higher price levels— particularly in Europe where Lo.b. prices are between \$2.50 (For Australian supplies) and \$6 (for Canadian supplies) lower than for similar coals

sold in Japan.
As the Indian tender demonstrates, the anxieties are not limited to prices; supplies are extremely short. While this has caused great inconvenience in 1994, with steel production recovering from the slump of the previous two years, in 1995, when even higher steel output is expected, the shortage could become critical. Although some slight expansion of output is possible in Queensland and Canada, it is thought that this will not compensate for reductions in US availability.

If these were not problems enough, there has been a major derailment of a coal train in Queensland, halting the flow of steam and coking coal to the coal ports of Hay Point and

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Dairymple Bay.

Although the line is expected to be fully operational within a week, this disruption will be felt immediately. Coming hard on the heels of two derailments of the South Africa coal export line to Richards Bay and of severe flooding of the pits in Colombia's Guajira region, the Queensland mishap has reinforced the view that the 1994 coal market is jinxed.

# Indonesia mobilises for fight against deforestation

Manuela Saragosa reports on initiatives aimed at saving the world's second biggest forested area

n Kalimantan, the Indonesian part of Borneo, seem-Lingly endless forests cover the landscape, creating the impression of an infinite resource. It is difficult to picture this vast, rugged, sparsely populated region stripped of

most of its trees. Yet the World Bank warns that harvests from Indonesia's tropical forests, the world's largest after Brazil's, are running about 50 per cent higher than the estimated sustainable

Indonesia's minister of forestry, Mr Djamaludin Suryohadikusomo, has set in motion a plan to deal with the problems of deforestation, the first Indoesian minister to take such

In September he introduced a restructuring of government regulations on forestry management, promising to crack down on logging companies that fail to manage their concessions responsibly. The regulations are aimed at loggers who cut trees outside their concession areas, illegally convert logged forest land to agri-

COMMODITIES PRICES

E ALUMINIUM ALLOY (5 per tonne)

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LONDON METAL EXCHANGE M ALUMINIUM, 99.7 PURITY IS our tonnel

BASE METALS

culture or fail to replant. Mr Djamaludin admitted there were only 113m hectares Indonesia, as opposed to earlier claims of 141m ha

The minister announced that as the current 20-year logging concessions expired forest areas would be converted into a new type of management unit, operating on a long-term basis and having an average size of 100,000 ha. "If someone is managing a forest area, as opposed to just having a licence to sell the stock in a concession area, then there is a far greater incentive to protect commented a Jakarta-

based forestry consultant. The current duration of conessions does not encourage replanting of trees that will take about 70 years to mature. Supporters of the new system argue that it will encourage loggers to make inventories of tree stocks, providing the data needed to maintain a constant growing stock and

opment of the resource.

to implement the system and at current rates of deforestation, Indonesia's forests do not have that much time left. It would be far more effective, argue some consultants, to create an independent policing system to ensure government

however. It could take 25 years

regulations were observed. The Institute of Eco-labelling, set up by Indonesia's former minister of environment Mr Emil Salim, could take on this task. But progress has been thwarted by arguments between pressure groups, consultants and officials, who cannot agree on how the institute should be managed or what its purpose should be.

The idea initially was to label forest products from a sustainable forest resource as "environmentally sound", with manufacturers subscribing to the system voluntarily. The problem is that most indonesian timber products are exported to Taiwan. Japan and Korea, where environmental facilitating sustainable develconcerns have low priority.

This has convinced some that eco-labelling needs to be

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106.00 +0.75 - 106.00 142 107.95 -0.50 106.50 108.00 1,874 110.00 -0.45 110.70 110.00 1,820 111.70 -0.50 112.20 112.20 1,890 94.20 -0.20 94.30 94.00 129

WHEAT CBT (5,000bu min; cants/60b bushel)

364/2 -2/4 398/0 362/4 16,091 7,901 378/2 -2/4 381/4 376/4 33,909 10,748 336/2 ++0/4 368/0 364/4 5,425 1,272 337/8 +0/8 339/4 31,112 3,467 343/0 -1/2 345/0 343/0 492 78 354/4 +1/4 355/0 353/4 187 38

IZE CBT (5,000 bu min; cents/56tb bushel)

WHEAT LCE (2 per tonne)

■ BARLEY LCE (€ per tonne 103.10 +1.90 103.10 +0.10 105.25 -0.25 107.40 -

103.10 +8.10 101.00 101.00

SOYABEAN OIL CST (60,000fbs; cents/lb)

SOYABEAN MEAL CET (100 tons; Ston)

FOTATOES LCE (Extenne

271.5 +166.5 271.5 -1.0 287.5 -1.5 250.0 -

compulsory. An independent been irregular and arbitrary as \$60 to \$80 in other parts of the inspection team publishing its reports would ensure public accountability and a degree of transparency in the forestry sector that has not existed to

The punishment of offenders would be left to the Ministry of Forestry.

There is no doubt that Mr Djamaludin's team has powers to deal with offending loggers. Recently, the ministry took over 49 per cent of the shares in two concessions supplying timber giant PT Barito Pacific Timber, as punishment for irresponsible forest management. It was an unprecedented move that tackled one of the most powerful forces in the forestry sector and was designed to send warning signals to other concession holders.

he question is whether Mr Djamaludin has the political clout to deal effectively with illegal and irresponsible logging. Indonesia's forestry sector is politically powerful and Mr Djamaludin's crackdown on offenders has

different forestry associations. all headed by Mr Hasan. The most significant, Apkindo, the association of

The forest products sector is

run almost single-handedly by

timber merchant Mr Bob

Hasan, who is close to the pres-

idential family. There are five

plywood producers, is often regarded as a major cultrit in accelerated deforestation. It operates as a cartel, setting prices for plywood below international levels, ensuring that Indonesian manufacturers keep the lion's share of the world market. Indonesia

plywood. The association decides who gets an export licence, where a manufacturer will export to and at what price.

earned \$4.5bn in exports of for-

est-based products last year, of

which 75 per cent was from

Apkindo's political clout has been sufficient to ensure that concessions to manufacturers are cheap. Royalties on logs average about \$22 a cubic metre, compared with between

994 16,025 627 1005 6,828 29 1012 12,967 340 1026 10,171 106

1305 44,096 2,866 1333 9,422 280 1359 3,874 22 1385 1,579 1

71,333 3,387

1359 3,874 1385 1,579 1414 5,132

III COCOA CSCE (10 tonnes: \$/tonnes)

-25 -25 -26 -26 1370 1386 1390 1414

■ COGOA (ICCC) (SDR's/tonnel

EL COFFEE LCE (\$/tonne)

Sep Dec Total

MEAT AND LIVESTOCK IN LIVE CATTLE CME (40,000lbs; cents/lbs

88.250 -1.175 69.275 68.100 22.702 6.797 68.275 -0.950 69.175 67.925 27.235 4.080 68.825 -0.775 69.475 68.500 16.779 1.562 68.275 -0.800 68.505 62.795 2.035 131 68.700 -0.900 64.275 58.500 609 23 Dec Feb Apr Jun Ang Oct Total ■ LIVE HOGS CME (40,000ths: cents/line) 31,550 -0.150 31,875 31,500 12,240 3,427 34,300 -0.150 34,600 34,200 11,776 2,804 35,375 -0.175 35,575 35,300 6,656 902 41,000 -0.125 41,005 40,850 3,324 578 41,009 -0.025 41,050 40,850 861 166 41.050 +0.025 41.050 40.850 38.850 +0.050 38.850 38.825 PORK BELLIES CME (40,000lbs; cants/lbs)

35,650 -0.775 36,150 35,300 7,902 35,825 40,725 36,350 35,500 36,950 -0,775 37,675 36,900 37.900 -0.700 38.700 37.800

LONDON TRADED OPTIONS

132 110 92 164 194 227 COFFEE LCE Mar 546 588 628 III COCOA LCE 113

LONDON SPOT MARKETS

CRUDE Oil. FOB (per barrel/Jan) Brent Blend (dated) Brent Blend (Jan) W.T.I. (1pm est) IN OIL PRODUCTS NWE prompt delivery CIF (tonne) \$174,176 Heavy Fuel Oil Naphtha Jet fuel \$171-174 \$158-160 OTHER Silver (per troy oz)\*
Platinum (per troy oz.)
Palladium (per troy oz.) 517.5c \$410.35 \$155.00 Copper (US prod.) 138.0c -3 40.75c 15.69r 291.5c Lead (US prod.) Tin (Kumia Lumou Tin (New York) Cattle (live weight)† Sheep (ive weight)†4 107.10p 76.33p Pigs (live weight) Lon. day sugar (row) Lon. day sugar (wte) Tate & Lyfe export \$351.3 \$412.0 \$337.0 Barley (Eng. feed) Maize (US NoS Yellow) Wheat (US Dark North) Rubber (Dec)♥ 345.0m Coconut Oil (Phil)§

460p

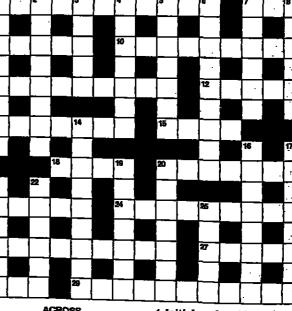
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1 Can limo make a detour round the arch for the king?

Left after opportunity offared

(11) Line taken by a Catholic (3) 9 The impetus of Verdi's work

iticians that "friendly state" describes Ulster (9) 11 Shocking painting brought back by university graduate

on time, we hear (9)
12 Unable to contain his initial 13 Dealt with, having been 17 Fellow oboist who is no lonbrought down (7) 15 See an order for the machin-

18 Going to lose one medal (4) 20 Out east, cholera's the mate- 21 Direct negotiations to get rial for research student (7) 23 Nothing in the trick to disturb your slumber (5) 24 Men died, all a-quiver, having

embraced brief moment of low-life (4-5) 26 12th December ian cathedral (9) They object to being outside the king's unit (5)

28 invite a couple round for some retreshment (3) Diplomats make second cut to reduce the perspective (11) DOWN

1 Reflect that the other team tied (8) 2 Is in the grip of suspicion? Bother! (8)

late the RMU (5)

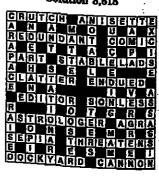
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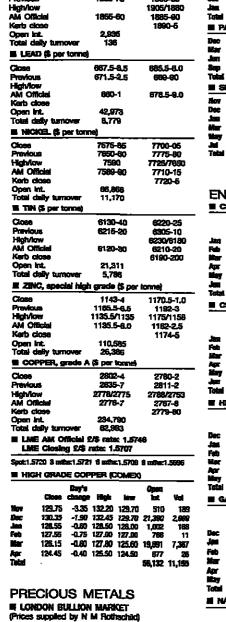
7 Put up a sheet of wood for the beast .... (6) 8 .... who was firm, yet dithered with love (6) 14 Loaf around, there's nothing else scattered inside, just paper (9) 16 Ringing for information in

ger bound to work? (8)

19 More sanctimonious to turn out the idler (7)
20 Warrant a call (7)

money in advance (6) Drink taken up to the roof (6) 25 A few words to put after the car test (5) Solution 8,618





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Precious Metals continued

■ PLATINUM NYMEX (50 Troy az.; \$/troy az.) 4124 +1.5 414.0 411.8 15.043 1,303 416.8 +1.4 418.0 416.5 8,012 279 420.8 +1.1 - 1,964 113 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 155.05 +0.05 155.50 154.80 1,787 156.45 +0.35 157.50 156.00 5,063 473 634 +0.35 158.00 577 96 7,523 1,114 SILVER COMEX (100 Troy oz.; Cents/troy oz.)

**ENERGY** E CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

18.00 +0.18 18.00 17.79 18.075 3.546 18.00 +0.14 17.95 17.81 15.387 1,779 17.96 +0.16 17.98 17.80 26,733 5.321 ■ CRUDE Off. (PE (\$/barrel)

8,362 995 4,169 270 4,897 3,170 W HEATING OIL NYMEX (42,000 US gails.; c/US gails.)

151.50 +2.25 152.50 148.75 34,101 7,498 154.25 +2.50 154.50 151.25 24.658 5.871 155.75 +2.25 158.25 153.00 14.598 156.25 +2.25 156.50 153.50 9,826 151.75 +2.25 153.25 153.00 3.527 151 154.00 +2.00 98,738 18,987 MI NATURAL GAS NYMEX (10,000 mm8tu; Symm8tu) 1.820 1.852 1.870 33.506 11.325

1.830 +0.169 1.630 1.845 +0.010 1.855 1.835 14,411 2,003 1.790 - 1.802 1.790 7.489 1.788 -0.001 1.810 1.790 7.832 NYMEX (42,000 US galls.; c/US galls.)

+0.61 50.50

Liverpool- No spot or ehipment sales were recorded for the week ended 18 November against 424 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. Cost of raw cotton deterred

275.0 272.0 1,189

1889 1915 1821 1721 1898 1900 1805

-9/2 2150 210/4 70,234 33,324 -3/2 2256 220/4 87,887 34,107 -3/0 232/4 228/0 32,888 6,251 -3/0 237/0 232/6 42,521 10,371 -2/6 241/4 238/0 3,869 300 -2/6 248/0 24,3/0 21,825 1,481 -243 3055 -262 3100 -264 3070 -257 3050 -250 3035 2850 2873 1.263 ■ COFFEE 'C' CSCE (37.500bs; cents/lbs) -1.95 159.00 154.40 816 -1.90 185.00 158.00 17,457 -2.45 168.00 183.00 8,145 -3.25 168.00 184.25 2,258 -2.50 170.00 165.00 1,050 . 25 -04 557/4 553/4 51,822 17,301 -0/2 576/6 568/2 29,624 3,114 - 594/0 577/0 15,227 1,372 -0/2 586/0 532/4 23,414 1,943 -0/6 530/4 586/0 1,910 185 -3/0 592/0 567/0 1,058 10 ■ COFFEE (ICO) (US cents/pound) E No7 PREMIUM RAW SUGAR LCE (cents/lbs) 28.14 -0.07 28.32 27.75 28.494 15.190 27.24 +0.02 27.31 28.90 28.244 7.882 28.19 +0.02 28.25 28.58 21.048 3.786 28.31 -0.01 28.35 25.00 15.342 98.0 24.71 +0.08 24.75 24.50 9.481 2.125 24.35 +0.05 24.40 24.24 2.000 376 Jan Mar May Joi Total 13.00 14.70 14.78 14.54 4 2,080 376 11**4,572 31,7**88 **WHITE SUGAR LCE (S/tonne)** 1600 403.30 -2.10 406.00 399.70 11,144 1,185 397.80 -2.00 401.00 394.70 4,616 357 398.10 -1.70 392.50 384.90 3,299 528 358.30 -3.10 380.50 356.90 1,572 80 356.30 -3.10 359.90 359.90 100 1 356.00 -3.20 - 199 1 
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VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are one

**INDICES** ■ REUTERS (Base: 18/9/31=100) Nev 23 Nev 22 month ago year ago 2128.8 2123.3 2099.0 1619.9 ■ CRB Futures (Base: 1967=100) Nov 21 month ago 231.50 232.25

NOVEMBER 24 1994

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# SSWORD

#### LONDON STOCK EXCHANGE

MARKET REPORT

# Equities stunned by latest Wall Street sell-off

By Steve Thompson

The UK stock market posted its fifth heaviest fall this year as the big sell-off on Wall Street, which started on Monday, gathered pace, triggering further sharp losses across world markets.

At the end of a trading session fraught with anxiety, the FT-SE 100 Index closed a further 51.2 or 1.6 per cent lower at 3,027.5. Since the start of the week the index has fallen 103.5 points or 3.3 per cent.

The weakness encompassed the second liners and smaller stocks, with the FT-SE Mid 250 Index losing 56.5 or 1.6 per cent at 3,488.8. The market's negative trend was reinforced by a massive derivatives operation - believed to be the single largest in UK options - carried out by NatWest Securities. The house

bought more than 20,000 puts giving the right to sell the Footsie at 2,800 in January.

Dealers commented that the trade probably did not represent the view that the Footsie would fall to that level. It was seen as part of an arbitrage possibly enabling the house to go short on the Footsie and buy into an overseas market, possibly the Nikkei or the Dow. However, it still represented a gloomy view of London's prospects.

The extent of Wall Street's weakness on Tuesday evening shocked analysts. The 91-point drop in the Dow Average came in the wake of a 46-point slide on Monday, leaving the Dow with a fall of above 3.6 per

cent on the week to date. And there was more bad news for international markets, including London, when the Dow slid more

than 30 points shortly after the US market opened yesterday.

Marketmakers in London were in

no mood to absorb stock at the start of trading, and dropped their open-ing prices to head off any largescale selling. The Footsie opened around 40 points lower and staged a brief rally to the 3,042 mark. However, support quickly crumbled and the index was soon back on the downward path as traders picked up the scent of another retreat by

Wall Street. At its worst the FT-SE 100 was down 68.6, and the market was alive with wild rumours that Wall Street was about to stage a fall of 1987 proportions. "For a while the market got very spooky indeed," said a

Wall Street's opening, although weak, brought a measure of relief to the market here, and shares stabilised and then edged up to close well above the day's lows.

Trends in international bond markets gave a measure of support to equities. US Treasury bonds responded to the success of the latest auction of five-year bonds. German bunds rose sharply in the wake of better than expected money supply news in Germany, and gilts made rapid progress.

Turnover reached 710.8m shares, with non-Footsie stocks accounting for 55 per cent of the total. Cuspercentage points to 8 per cent. tomer business was "poor", with trading between marketmakers, always anxious to avoid carrying large lines of stock on their books in such volatile conditions, said to

have been exceptionally heavy. There was some comfort for the

costs ensured that interim

profits were down to £81m

from £96m previously. UBS

maintained its bearish view

and bottom of the range full-

year forecast of £150m, while

Kleinwort Benson reduced its

estimate by \$10m to \$155m.

arguing that it was too soon to

More enthusiasm emanated

from Hoare Govett, which responded to news that Court-

aulds is to raise its own prices

from January and invest £90m

in a plant for Tencel, the com-

pany's new fibre. Mr Martin

Evans of Hoare confirmed his

top of the range estimate of £170m, saying: "The bull points

far outweigh the well worn

although there was some con-

fusion caused by the adjust-

ment for the group's two-part

VSEL GEC dipped 6 to 275p.

with BT, the most heavily

traded Footsie stock, turning

over 14m shares and proving

the star performer in the

traded options market. The

British Aerospace moved

negative issues."

rights issue.

be an aggressive buyer.

ish securities houses, has increased its mid-1995 FT-SE 100 target by 200 points to 3,200 and its end-1995 target by the same amount to 3,400, after positive revisions to its UK

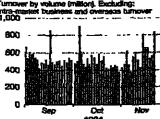
team at UBS, one of the more bear-

economic forecasts. UBS's Mr Bill Martin has raised his forecast of UK growth in GDP by % percentage point to 4% per cent, cut his inflation forecast by 1% percentage points to 312 per cent and, most importantly, cut his end-1995 forecast of UK base rates by 2

Dealers are hoping for a period of calm in European markets, which they expect to trade quietly during today's Thanksgiving holiday in the US. Wall Street opens for a half day on Friday. "We are not looking for many fireworks until the Budget on 5 Pharmaceuticals. market with news that the strategy Tuesday," said one.







**Equity Shares Traded** 

3 Gas Distribution ...

4 FT-SE SmallCap ex IT ...

E trai menceson	•	
Indices and ratios		
FT-SE 100	3027.5	-51.2
FT-SE Mid 250	3488.8	-56.5
FT-SE-A 350	1521.2	-25.5
FT-SE-A All-Share	1507.68	-24.64
FT-SE-A All-Share yield	4.04	(3.97)
Best performing s	ectors	
1 Breweries ,		.,0.5
2 Health Care		-0.8

2323.8 FT Ordinary Index FT-SE-A Non Fins p/e 18.30 (18.59) FT-SE 100 Fut Dec (8.58) 8.50 Long gilt/equity yld ratio: Worst performing sectors

#### Telecommunications 5 Diversified Inds

# **Profits up** but T&L slips

Dealers in Tate & Lyle reported a badly handled selling order early in the session which cast a shadow over the group's impressive full-year

figures. A block of around 600,000 shares was said to have done the damage, bringing an early retreat in the stock. The shares closed 9 lower at 430p. A further slide in the stock

Hit by Wall Street's

Calls 10.966 Puls 34.847

devastating overnight

performance, stock index

futures had nowhere to hide

and retreated rapidly from the

III FT-SE 100 INDEX FUTURES (LIFFE) 925 per full index point

Open Sett price Change High

TO FT-SE MED 250 INDEX FUTURES (LIFFE) 210 per full index point

W FT-SE MID 250 INDEX FUTURES (OMLX) 210 per full Index point

III FT-SE 100 INDEX OPTION (LIFFE) ("3026) £10 per full index point

E EURO STYLE FT-SE 100 INDEX OPTION (LIFTE) \$10 per full index point

EURO STYLE FT-SE MED 250 INDEX OPTION (OMLX) \$10 per full index point

FI - SE Actuaries Share Indices

2825 2878 2925 2975 3025 3075 3125 3175
209 11 165<sup>1</sup>2 18 126<sup>1</sup>2 28 52 43 52<sup>1</sup>2 53<sup>1</sup>2 41 81<sup>1</sup>2 25 125<sup>1</sup>2 14 164<sup>1</sup>2
229<sup>1</sup>2 21<sup>1</sup>2 189<sup>1</sup>2 34<sup>1</sup>2 154 148 122 65<sup>1</sup>2 94 87 70<sup>1</sup>2 113 5<sup>1</sup>12 143<sup>1</sup>2 38 177<sup>1</sup>2
247<sup>1</sup>2 31<sup>1</sup>2 175<sup>1</sup>5 59<sup>1</sup>2 73 125<sup>1</sup>2 73 125<sup>1</sup>2
257<sup>1</sup>2 47<sup>1</sup>2 188 76<sup>1</sup>2 129<sup>1</sup>2115<sup>1</sup>2 83 167<sup>1</sup>2
297 70 231<sup>1</sup>2 101 174<sup>1</sup>2 140<sup>1</sup>2 127 189<sup>1</sup>2

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1507.69

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3500.0

3045.0 3024.0 -55.0 3048.0 3005.0 3045.0 3039.0 -56.0 3050.0 3034.0 3060.0 -58.0

EQUITY FUTURES AND OPTIONS TRADING

£273.8m which topped the most optimistic forecasts and persuaded many analysts to upgrade profit expectations.

Credit Lyonnais Laing increased its current year forecast by £25m to £311m and the following year's figure by £35m to £354m. Reiterating their buy stance on the stock, analysts at the securities house said: "We believe the company will be able to report 10 per cent dividend growth for the pext three years while at the same time increasing dividend

Mr Carl Short at Strauss

outset in heavy two-way

Low

trading, writes Jeffrey Brown.

At the end of pit trading, the

FT-SE 100 December contract

was at 3,025, down 54 for a

was prevented by euphoria at Turnbull raised his forecast by an impressive 23 per cent a more modest 15m to £220m increase in full-year profits to profits as he expects "slower earnings growth in the year to September 1995".

#### SmithKline bounces

Pharmaceuticals group SmithKline Beecham recovered strongly as the company announced a £920m (\$1.45bn) disposal. The shares, down 12 at one stage, ended a net 2 off at 421p, while the Units, which tend to reflect US interest, finished marginally lower at 3850.

SmithKline is selling its global animal health business

three-day drop of 115 points, It

closed at a two-point discount

to the cash market and more

For once the price action

was fully reflected in levels of

volume, with contract numbers

jumping to 19,932 - compared

with 11,220 on Tuesday and

less than 7,000 on Monday -

the first two hours of trading.

notably when the US market

came in at 2.30om London

panic, citing the relatively

discount which seldom

throughout the session.

through 3,000, the next

into traded options, where volume powered ahead to

Tuesday. FT-SE and Euro FT-SE turnover accounted for almost 50,000 contracts.

Div. Earn. P/E Xd adj. Total yield% yield% ratio ytd Return

4.24 7.25 16.30 116.23 1150.73 3.61 5.90 20.44 122.22 1307.61 3.76 6.38 19.05 127.35 1307.10 4.09 6.94 17.09 57.25 1183.00 3.36 5.06 24.95 52.08 1373.77 3.56 5.82 22.76 53.96 1355.49 4.04 6.81 17.49 55.91 1192.52

80,982 lots, up from 35,852 on

The UK Series

hit 3.015.

unadventurous cash market

extended beyond two points

Wall Street continues to

the December contract falls

support level is around 2,980. In late screen-based trading it

dictate immediate direction. If

Activity was at times frantic,

time with further heavy losses.

But traders said there was little

having been above 8,000 in

than seven points below fair

value.

(APT)

57330 7625

145

3310 2329

to Pfizer and, although the for turnaround had yet to move had been anticipated, it arrive. Rising raw material was only expected to realise only one to 1.5 times annual sales. In fact, it went for 21/2 times sales and is expected to reduce the net debt to around

Mr Paul Krikler of Goldman Sachs applauded the deal, saving: "This clearly demonstrates that management has kept to its promise to reduce debt through disposals. In addition,

Courtaulds lower

the price looks very good."

Hard-hit chemicals group Courtanids fell 15 to 425p as several analysts felt the hoped-

### TRADING VOLUME



-21<sub>2</sub> -12 

661 1.300 1. military of the control of the contr Rentweet Bankt National Power's New York New Yor

Grand Met 390 31/2 20 27 - 191/2 23 Gr393 ) 420 - 9 15 261/2 391/4 41/2 Ladkowke 140 151/2 201/2 24 - 21/2 51/2 (\*155 ) 160 - 9 13 44/9 9/4 161/2 Ltd Bacults 300 171/2 261/2 23 - 5 13 (\*317 ) 330 - 10 171/4 121/2 181/2 291/2 Option Dec Mar Jun BTR 280 4% 18 22% - 9% 16 [7284] 300 - 10% 13% 15% 20% 27% BTR felecom 360 8% 17% 25% - 12 18% (368) 390 - 8 13 27% 23% - 8% 18% (433) 460 - 8 15 27 30% 42 i Groupt FT GOLD MINES INDEX

#### **NEW HIGHS AND LOWS FOR 1994**

NEW HIGHS (7).
GE.78 (5) ELECTRING & ELECT EQUP (1)
COTUST TOT. BIG., VEHICLES (1) Articus
Streamforms, EUTRACTIVE INDS (1) Vogalo,
OTHER SERVIS & BUSINS (2) Bercaro, Green
WATER (1) South South.

NEW LOWS (200), BANKS (2) First Neil Firste 7pc Pf., Missibish, Samm, BREWERSES (1) Kinir, BULLDING & CHSTRN (14) BLDG MATLS & MCATS (12)

ahead against the market, Агропа, Макс ton Oriental Inst. LIFE

The shares closed at 434p, with the group collecting £178m for the first tier of its planned rights issue and thus - as the market saw things ensuring that BAe can press ahead with rationalisation of its turbo-prop business.

1885down (\*170 ) Lonino (\*155 )

700 58 68½ 78% 5% 21 27% 750 25% 38 50 22% 44 51 460 23% 38 41% 14 22 32 500 8 19% 24% 38% 45% 55%

Land Secur 550 48% 58 68 3 7% 15% (556) 600 18 25% 32% 20% 25% 39 Maries & S 390 24 35 48% 5% 9% 16 7405 1 420 8 18 24% 19% 23% 39 1824West 500 21 32% 42% 16 33% 39 (500) 550 4% 14 23 50% 67% 71

Sainsbury 390 24% 37 43% 8 1.4% 21% (\*\*405.\*\*) 420 9 21 28% 22% 30 36% Shell Trans. 650 45% 57% 64 3% 13% 17% (\*\*59.\*\*) 700 18 28% 35 2 3 4% 7% (\*\*219.\*\*) 220 8% 14 18 9% 12 15%

80 4V; 6V; 9V; 4V; 7 8 90 1V; 3 5V; 11V; 13 14 1050 80 77V; 89 8V; 25V; 37V; 1100 29V; 48 61 29 49 60V; 800 60 73V; 83 8 24 31 850 26V; 43 55V; 28 47 54 Now Feb May May Feb May

120 7% 15 18 5 10 11% 130 3% 10% 13% 10% 15 17

409 25 44% 53 - 13 22% 448 - 23 34% 14 31 42% 420 19 35 41% - 10 22 450 - 15 21% 21 30 44

Gold Mines Index (34)

m Regional Indices

Atrica (16) Australasia (7) Hartti America (11)

More Fests alliany allow Fest Many

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Glazza Guo 36 51 85 16 32 41½ (\*515 ) 650 13½ 27½ 42½ 44 61 89 (\*515 ) 650 13½ 27½ 62½ 42½ 47 55 (\*707 ) 750 14½ 30½ 43 52 77½ 85% Respects 450 23 34 44 12½ 24 25½ (\*465 ) 500 7½ 17 28 37½ 47 52 Option

Rolls-Royce 160 16 21 24% - 3 7 (176) 180 - 9 13 4 11 16

\* Underlying security price. Providing shown are based on settlement prices. November 23:Total contracts: 79,362 Calls: 53,662 Puts; 25,670

2.21 2367.40 1762.02

Hore % chg Now Now Year Gross div 52 worth 22 on day 21 18 ago yield % High Low

2235.86 -0.9 3263.93 3301 54 2955.89 4.24 3711.87 2304.45 2521.29 -3.8 2624.59 2647.41 2307.76 200 3313.89 2171.96 1481.15 -2.0 1511.76 1544.96 1794.04 0.90 2009.65 1488.17

no. Basso US Dollars. Base Values: 1000.00 31/12/62.

1948.94 -- 1.9 1986.30 2019.18 2076.68

Copyright, The Prended Times Linteed 1894
Rigares in bracklys show number of companies. Basis US Dollars, Basis Values: 1000.00 31/12/8
Psychosomy Gold Mines Indice: New 22 238.8; day's change: -8.7 points; Year ago: 238.5 1 Perdal.

220 7% 14% 250% 55% 11% 14% 240 1 85% 12 19 23% 26% 550 36 56 74 12 28 42% 700 11 34% 50 36 53 68% Jan Apr Jul Jan Apr Jul

The second part of the cash Do. 70c CW. 2008. TEXTILES & APPAREL (4)
Ations, Baird (Wm.), Caldwell Inve., Resolical,
TRANSPORT (7) AMERICANS (11) CANADIANS call hinges on the group winning its £560m bid battle with GEC for submarine maker Telecom shares were active,

in spite of a buy recommendation for its HK Telecom subsidjary from Salomon Brothers.

Tuesday's results statement.

COMPANIES (7) LEISURE & HOTELS (2) Alpha ASSURANCE (2) London & Manchester, Reluce MEDIA (4) Gold Greenises Trott, Geodhead Holmes Marchang, Midland Ind. News., Oil.

Dery Parm, Gest, RETALLERS, GLENERAL BI Christo Cards, Esses Furniture, Fire Art Device. Genes Workshop, Liberty, Mallett, Parnidge Fine Arts, Schebye Hide for Class A, WEW, SUPPORT SERVE (11) TELECOLUMNING (2) Cable & Wireless,

stock ended 10 lower at 369p. Cable and Wireless, also a heavily traded stock option, shed 15 to 370p in 7m turnover Vodafone retreated 8% to 195%p as the market took stock of the bad debt charges in

.. -1.0

CHEMICALS (5) (STP. Cours CHEMICALS (3) STP. Coursides, Michaen Ind., Manden, Yorchize Chemia, DISTRIBUTIONS (10) Covercale, Cercinal Motor Auctions, Charles Sidney, EW Fact, Cardiner, Headlan, Heinlige, Motoya, Penry, Vardy (R), DIVERSIFIED INDUS (10) ELECTRING & ELECT EQUIP (8) Bowthorp ING ELECTRINC & ELECT BOUP (6) Bowtrops CAIL Mccro, DRS Data Res, Pressen, Sony, Felement, ENGINEEPING (6) Barry Websteller, Cycle Blowers, Copper (Fr.), Eade, Teiples Lloyd wapon industrial P., ENG, VEHICLES (1) BSQ, EXTRACTIVE INDS (14) FOOD MANUF (6) Acation & Huch. About Fether, Frilley (3), Hotsleved, J.J., Passon's, NEALTH GARE (6) Amenham Int., Assoc Nursing Serva, Bidmore, Eyester Prots, Heammond, HOUSEHOLD OCCUS (5) Comwell Parity: "A", Cheghton Nutsirily, Elbod, INSURANCE (6) Ann, FAL Independent Inson, JEB, Messh & McLennan, Independent Irace, J.B. Mersh & McLenna INVESTMENT TRUSTS (83) INVESTMENT

Holmas Marchum, McGarrel Ind. Menes, Od. EXPLORATION & PROD (4) Com-Teh, Res. Copies, Res. Pict Pedin., Vanquard Pedin., OTHER FINANCIAL (8) OTHER SERVIS & BUSINS (1) Leigh Interests., PHARMACEUTICALS (1) Paranom (Wim.). PHTING, PAPIER & PACKG (8) API, Bentrose, Brt. Thornton, Chriton, Feld, Physu. Serf., Wince Spc Pt., PROPERTY (15) RISTALERS, FOOD (2) Deliv Perm. Censt. RETAILERS, CHESPAL (8)

Having slipped to within a

half-penny of its 182p flotationprice, TeleWest Communications ended all-square at 185½p, with the shares again heavily traded between London

and New York. Investors said yes to TSB following encouraging reports on mortgage lending margins from rival Abbey National on Tuesday. The shares stood out in the Footsie with a rise of a half-penny to 219%p. High Street bank Lloyds, which will also be a leading player assuming the Cheltenham & Gloucester Building Society deal goes through, eased 3 to 573p. Abbey National slipped 9 to 403p, with Credit Lyonnais Laing a keen seller.

Paper group Bowater was one of the leading casualties in the market as it transpired that the company's meeting with its broker was less positive than previously thought.

The shares fell 23 to 447p. News that BTR's chief operating officer was stepping down (although staying on the board) helped depress sentiment at the diversified industrial group. Bob Faircloth is effectively number two to chief executive Alan Jackson. The shares dipped 12 to 284p in 11m

turnover. Harrisons and Crosfield fell 8 per cent on a gloomy statement about dispopsal losses with the shares tumbling 13 to 1490 in very heavy trading volume for H&C with 12m shares changing hands.

Engineering shares with a heavy bias towards the US economy came in for stern treatment, notably Siebe which tumbled 16 to 5540 and TI Group, down 8 at 364p. Both companies get more than 40 per cent of turnover from North America

Food retailer Argyll Group was one of a handful of stocks that bucked the poor market trend. The shares advanced 2 to 267p, on an unconfirmed report that BZW had advised investors to switch into the stock and out of J Sainsbury. Others simply attributed the rise to catching up after a period of underperformance, ahead of next week's figures. Sainsbury relinquished 5 to 406p.

Reports of a sell note on WH Smith Group left the shares trailing 8 to 462p, though Panmure Gordon was said to have advised investors to buy the stock on weakness.

Shares in Granada Group resisted the market slide to close unchanged at 516p. unchanged on the day, after the group reported better than anticipated interim figures.

Full year profits rose 51 per cent to £265m and the dividend increased by 14 per cent. One analyst said, "the profits are of course wonderful but the cash generation policy is particularly impressive.

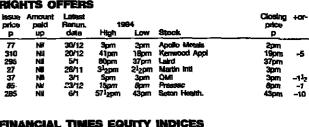
**MARKET REPORTERS:** Peter John, Joel Kibazo, Jeffrey Brown.

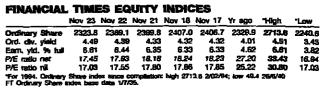
■ Other statistics, Page 21

#### I ONDON EQUITIES

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	Nov 23	Nov 22	Nov 21	Nov 18	Nov 17	Yr ago
SEAC bargains	27,343	24,284	24,305	25,114	26,218	25,04
Equity turnover (Cm)†	-	1331.3	1446,5	1280.6	1435.3	1360,
Equity bargainst	-	25,980	27,507	28,540	30.374	29,98
Shares traded (milit	-	849.6	568.4	548.5	852.9	496.

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■ FT-SE Actuaries All-Share

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Time of FT-96; 100 Day's high: 8.39am Day's low' 1.21pm. FT-9E 100 1994 High: 3520.5( 2/2 ) Low: 2676.8 (2449,

Additional information on the FT-SE Actuaries Share Indices is published in Saturday listers. Leds of constituents are available from the Financial Times Limited. One Southwark Bridge, London SET 994. The FT-SE Actuaries Share Indices Sandon, which covers a range of deptronic and peper-based Limited. One Southwark Bridge, London SET 994. The FT-SE Actuaries Share Indices Sandon, which covers a range of deptronic and peper-based productiveleting to these indices, is enabled to report House, 13-17 Expounth Street, London EC2A 400.

The FT-SET 500\* has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Actuaries 300 and the FT-SE Actuaries All-Street Indices Indices are related by the International Street Exchange of the United Mangdom and Republic of International Street Exchange in the Indices I

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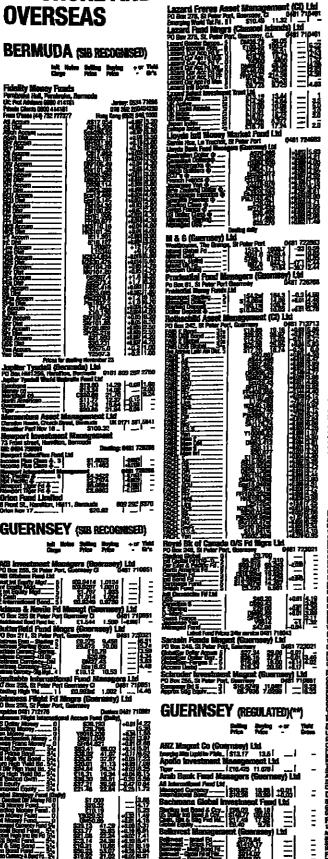
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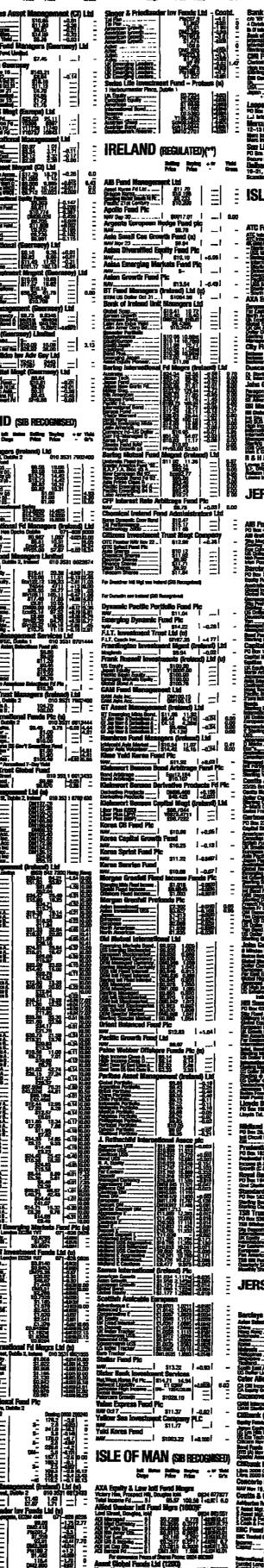
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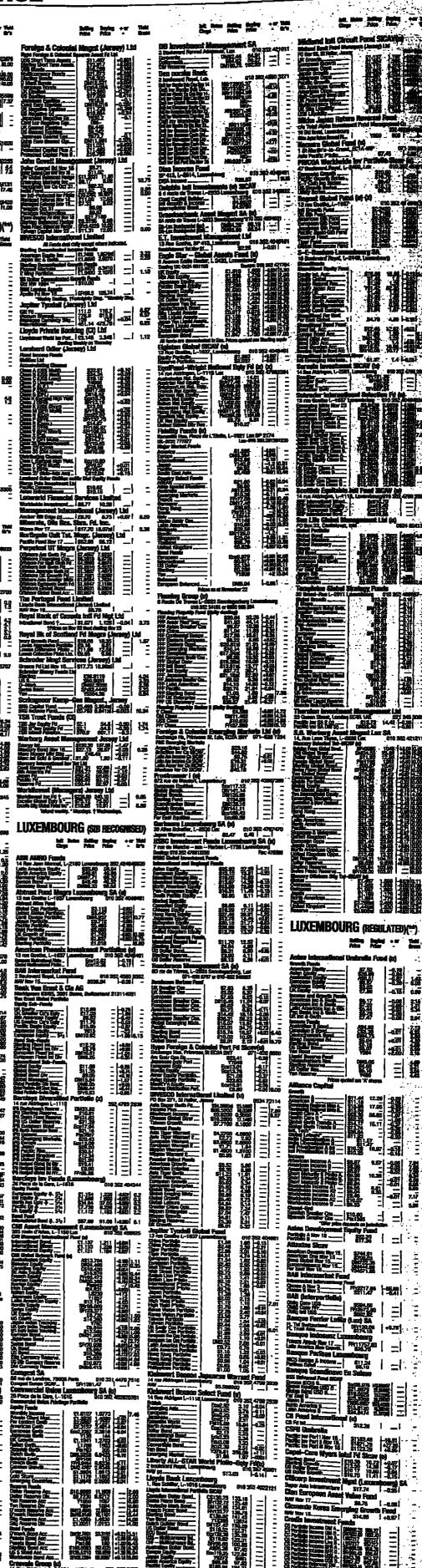
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FINANCIAL TIMES





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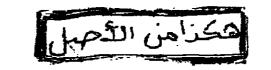
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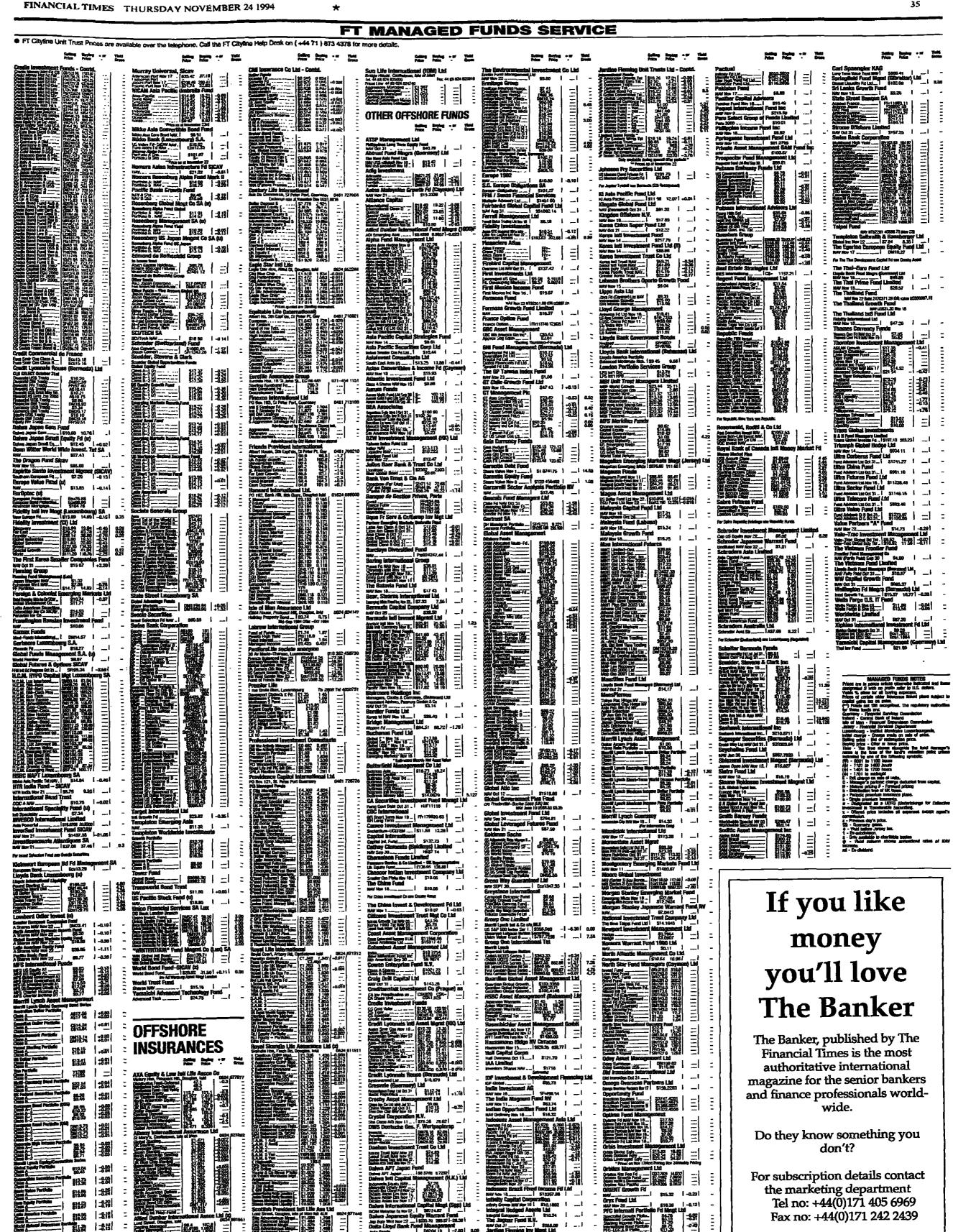
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FINANCIAL TIMES





NACH THE

# Dollar takes its lead from firmer US treasuries

The dollar yesterday took its lead from the firmer US trea-sury market, to finish higher on the day, writes Philip

The yield on the benchmark 30 year bond dropped below 8 per cent for the first time in five weeks, and this set the tone for the dollar, rather than the continued weakness in

equity markets. The dollar closed in London at DM1.5537, from DM1.5536, and at Y98.335 from Y98.075.

Short term interest rate futures were also beneficiaries of the weaker equity markets, with investors assuming that this diminished the need for higher interest rates. The March 1995 short sterling contract closed at 93.09, up from

The Italian lira stabilised following losses after it was announced that Mr Silvio Berlusconi, the prime minister, would be investigated in connection with corruption charges. The lira finished at

POUND SPOT FORWARD

Mexic LISA

L1.033.

Sterling had a quiet day, with the trade weighted index finishing at 79.9 from 79.8.

■ Analysts have likened the behaviour of markets this week to the 1987 crash, albeit on a smaller scale. Mr Nick Parsons, treasury economist at CIBC in London, notes that in the two weeks after the 1987 crash, the bond market rose by ten points, while most G7 short

term rates were cut. These moves were prompted by fears of systemic risk in the banking system, and possible damage to consumer confidence and corporate invest-

This time round, though, while the fall in equity mar-

Pound	in Henr Yer	k
Flor 23 £ spot 1 enth 3 men 1 yr	1.5725 1.5724 1.5724 1.5692	Prev. close 1.5895 1.5895 1.5894 1.5862

0.6 0.2

-3.0 2541.34 0.6 50.0704 0.5 2,7294 0.0 10.682 -8.3 253.693

-2,2 204,612 -1.9 11,6504 1.9 2,057

1.5701

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2.5278 -2.2

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+0.006 647 - 813 17.1888 17.1434 17.1687 -0.0061 588 - 010 50.2610 50.1080 60.1554 +0.0078 579 - 875 9.5725 9.5388 9.5609 -0.0047 388 - 583 7.4840 7.4398 -+0.001 767 - 830 8.3824 8.3642 8.3789 -0.0008 384 - 404 2.4425 2.4345 2.4383 +0.32 661 - 931 378.245 375.034 --0.0019 111 - 125 1.0144 1.0110 7.0116 +2.97 251 - 536 2529.58 2517.48 2530.34 -0.0051 589 - 010 50.2610 50.1680 50.1554 -0.0003 333 - 355 2.7362 2.7296 2.7333 -0.00085 740 - 840 10.7109 10.5241 10.6787 -0.004 484 0.01 249.542 248,438 250.513

1.3310 2.1672 5.4200 1.5785

3 +0.0079 848 - 670 2.0755 2.0567 3 +0.0037 369 - 439 12.1887 12.1382 -0.0149 336 - 705 49.4470 49.2270 5 +0.349 317 - 474 154.490 154.130 +0.002 955 - 131 4.0259 4.0089 +0.0021 204 - 257 2.5313 2.5200 -0.2028 050 - 821 37.6100 37.4050 -0.0024 873 - 908 5.9130 5.8882 +0.0061 512 - 564 2.3085 2.2965 -0.0061 512 - 564 5.5760 5.5503 +0.0525 143 - 490 8.5506 6.4998 -0.16 854 - 933 1253.85 1243.32 -0.1524 376 - 983 41.4843 41.2557 -0.0307 111 - 625 39.3820 39.2100

-0.0003 692 - 702 +0.0144 264 - 302 -0.002 546 - 565 +0.0027 929 - 104 -0.0006 697 - 705

49.2521 154.396 4.0113 2.5231 37.4941 5.8881 2.3010 5.5538 6.5317 1248.94

CROSS RATES AND DERIVATIVES

249.642 248.438 250.513 203.809 203.047 203.957 11.8245 11.5314 11.6124

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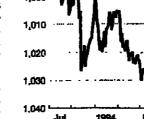
L1,034 against the D-Mark from the thought processes and price action have been similar," said Mr Parsons. Referring to the firmer short sterling prices, he said markets regarded falling equity prices as an effective monetary tightening, in the same way that declining bond prices earlier in the year amounted to a mone-

tary tightening. "The pace of rate rises is going to be nothing like the pace which the market is currently discounting," said Mr Parsons. He said it made little sense that the UK yield curve was steeper than the Italian yield curve.

The spread between March and September 95 short sterling contracts was 105 basis points, compared to a 98 basis point spread for the equivalent eurolira contracts.

■ Traders said turnover in the dollar had been quite brisk, despite markets winding down ahead of Thanksgiving day

Against the D-Mark (Lire per DM) 990 ü 1,000



4.295 2.254 2.572 0.884 2.132 0.085 0.788 2.020 0.867

1,059 1,859 1,043 2,155 1 1,373 1,397 1,681

1.983 1.046 1.193 0.410 0.989 0.040 0.366 0.937 0.402

0.491 0.863 0.484 1 0.464 0.837 0.648 0.780

High 1.0230 1.0315

4.119 2.162 2.467 0.847 2.045 0.082 0.756 1.987 0.831

3.129 1.642 1.874 0.644 1.553 0.062 0.574 1.471 0.631

0.771 1.355 0.780 1.570 0.729 1 1.017 1.225

Low

307.5 161.4 184.2 63.26 152.8 6.116 56.44 144.6 62.04

1.341 1.530 0.526 1.268 0.051 0.469 1.201 0.515

75,517 10,339

Mr Michael Burke, economist at Citibank, said this time round the dollar was benefiting from its link with the bond market. For much of the year. weakness in the US bond market has been a factor in dragging the currency down.

He said the fact that the dollar tracked bonds, rather than

tion of capital flows; foreign investors have larger holdings of bonds than equities in the

Mr Burke said the dollar appeared to be fairly well supported, given the way it had reacted to what had been a potentially serious blow to sentiment. He cited this as further evidence that the dollar was on

a recovery path. Mr Michael Gallagher, director of IDEA in London, said nervous equity markets were ambiguous for the dollar. On the one hand, foreign divestment from US equities, and the feeling that the next tightening of Fed policy would be delayed, were negative for the dollar. On the other hand, tumbling

prompt US mutual funds to repatriate some of their offshore investments. This would help the dollar.

world equity markets could

■ Analysts said the stability in the lira probably reflected the

including Mr Berlusconi's pos sible resignation. Mr Gallagher said a survey of clients showed that most felt the lira would not slip below L1,045-50 should

he resign as prime minister. Elsewhere in Europe, the focus today shifts to the Bundesbank council meeting. Mr Gallagher said a lower than expected October M3 money supply figure had renewed speculation that the Bundesbank "might give us an early Christmas present (in the form

■ Overnight money traded between 2 per cent and 5% per cent as the Bank of England cleared a £600m daily shortage in UK money markets.

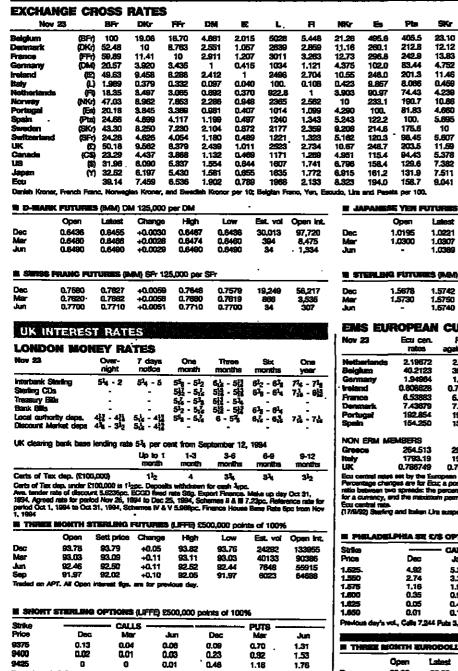
of lower interest rates)."

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Nov 23	2	\$
Hungary	171.458 - 171.703	109.230 - 109.330
lan .	2742.00 · 2745.00	1749.00 - 1759.00
KING S	0.4692 • 0.4705	<b>0.2989 - 0.2996</b>
Polasel	37241.1 - 37299.4	23725.0 - 23750.0
Hessia.	5057.30 - 5082.00	3221.00 - 3224.66
<b>UAE</b>	57時 - 5777	3,6715 - 3,6735

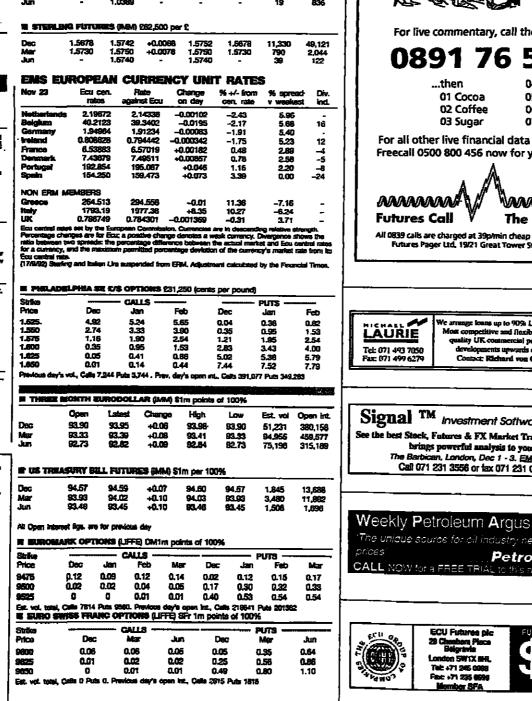
DOLLAF	SP	OT FOR	WARD	AGAINS	. π <del>,</del> Ε.	DOLLA	8						
Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's high	mid low	One mo	onth %PA	Three m	onths %PA	One ye	%PA	i.P Morgas Index
Europe												-	
Austria	(Sch)			350 - 400		10.8880	10.93			0.9	10.816	1.1	104.4
<del>Gelgium</del>	(BFr)	31.9600		550 - 650		31,8400	31.94		31.89	0.9	S1.65	1.0	106.0
Denmark	(DKr)	6.0905		890 - <b>920</b>	5.0920		6.0898	0.1	6.093	-0.2	6.097	-0.1	105.1
Finland	(FM)	4.7440		390 - 490	4.7566		4,7413	0.7	4.7355	0.7	4.7285	0.3	83.2
France	(FF <sub>1</sub> )	5.3372		365 - 378	5.3378		5.3362		5.3318	0.4	5.3032	0.6	108.2
Germany	(0)	1 5537		534 - 539	1.5539		1,5529	0.6	1,5505	8.0	1.5337	1.8	107.9
Greece	(Dr)	239 345		320 - 370		238.300	242.045		247.395		268.095		68.4
reland	(12)	1.5518		511 - 524	1.5555		1,5521	-0.2	1.5526	-0.2	1.5481	0.2	
taty	(1)	1607.50		700 - 800		1598.50	1611.45		1618.5	-2.7	1654	-2.9	74.0
Luxembourg		31.9600		550 - 650		31.8400	31.94	0.8	31.89	.0.9	31.65	1.0	106.0
Vetherlands	(FI)	1.7416		413 - 418		1.7344	1.7408	0.6	1.7383	0.7	1.7218	1,1	105.6
Vorway	(NEC)	6.8015		000 - 029		6.7740	6.8068		6.8205	-1.1	6.8285	-0.4	95.8
Portugal	(Es)	158.450		300 - 500		157.870	159.025		160.15	-4.3	163.7	-33	95.3
Spain	(Pta)	129.665		640 - 690		129.030	129.89		130.31	-2.0	132,415	-2.1	80.6
Sweden	(SKr)	7.3842		792 - 892	7.3900		7.3954		7,4197	-1.9	7.5382	-21	81.8
Switzerland	(SFr)	1.3168		163 - 173	1.3173		1,3147	2.0	1.3101	20	1.2861	2.3	106.1
JK .	(2)	1.5701		697 - 705	1.5765		1.5702		1.5701	0.0	1.5669	0.2	88.3
ECU .	-	1.2244	-0.0013	241 - 246	1.2298	1.2241	1.2244	ÇO	1.2348	-0.1	1.2232	-0.3	-
DRI	-	1.46477	-	-	-	-	-	-	-	-	-	-	-
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krgentina	(Peso)	0.9998		997 - 998	0.9998		•	-	•	-	-	•	
Brazil	(F8)	0 8460		450 - 470	0.8470								
Canada	(CS)	1.3729		726 - 731	1.3763		1.3726	0.2	1.3722	0.2	1,3764	-0.3	82.6
	Peso)	3.4435	+0.003	420 - 450	3.4550	3.4390	3.4445	-0.3	3.4463	-0.3	3.4537	-0.3	
SA 	(5)		-	•	-	-	-	-	-	-	-	-	96.2
acific/Middle ustralia							4 0404		4 0400				00.5
	(AS) (HKS)	1.3157 7.7323		153 - 161 320 - 325	1.3184		1.3164	-0.7	1.3182	-0.8	1.331	-1.2	89.5
long Kong		31.3888			7.7325		7.7302	0.3	7.729	0.2	7.7368	-0.1	-
ndia laban	(Ps)	98.3350		650 - 725 100 - 600	98,3600	31,3650	31.4388 98.055	-2.7 3.4	31.5838 97.435	-2.7 3.7	94.37	4.0	151.4
rapan Aalavsia	(Y)	2.5548		543 - 553		2,5516	2.5518		2.5478		2.5753	-0.B	131.4
	(M\$) (NZ\$)	1.6070		057 - 082	1.6082		1.608	1.4	1.6104	1.2 -0.8	1,6194		-
New Zealand							1.000	-0.7	1.0104	-0.0	1,0134	-0.8	-
hilippines	(Pess)	23.6800		300 - 300	24.0500		<u> </u>					_=	-
Seudi Arabia	(SFI)	3.7508		506 - 509		3.7506	3.7544	-1.1	3.7613	-1,1	3.7758	-0.7	-
lingapore	(88)	1.4655		650 - 660	1,4660		1.464	1.3	1.4605	1.4	1.444	1.5	-
Africa (Corn.)		3.5373		365 - 390	3.5405		3.5528	-5.3	3.5849	-5.4	3.7498	-6.0	-
Africa (Fin.)	(FQ)	4.1600		500 - 700		4.1350	4,188	-8.1	4.2325	-7.0	4.47	-7.5	-
South Korea	(Won)	795.450		400 - 500	795.600		798.45	-4.5	801.95	-3.3	820.45	-3.1	-
alwan	(12)	26.2830		710 - 950		26.2710	26,303	-0.9	26.343	-0.9			-
halland	(Bt)	24.9900	-0.01	800 - 000	25.000	24.9800	25.0195	-1.4	25.1105	-1,9	25.515	-2.1	_

# MONEY RATES 6.625 6,625 week ago 5% 5% 5.69 5.70 \$4 34 6.04 6.00 3% - 3% 5.47 US Dollar CDs 5.47 3% 3% week ago SDR Linked De week ago

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Dutch Guilde	r 5	- 4語 - 5a		54 - 54	54 54	5-5	- 200
French Franc		5 <sup>1</sup> 4 5		i - 54	51 <sub>2</sub> - 51 <sub>2</sub> 104 - 97	5% - 5% 10% - 10%	83g - 1
Portuguese E			- 80Z	경 - 9점 경 - 7점	74 - 74	. 84 - 84	94.
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Swiss Franc	3.4	- 3/2 3/	- 37	3 <sup>5</sup> 2 - 3 <sup>5</sup> 2	3程 - 3程 .	44 - 44	45
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1651 Asiaa \$5300			22	J4 - 3 - 3	3 2 - 3 4	34 - 35	, 4 <sup>1</sup> 8 -
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a THREE I	CONTE (	PINOR FU		ATH) Park	interbank e	Alberted rate	
	Open	Sett price		_ : - :	Low*		- Open
Dec	94.37	94.39	+0.04	94.40		18,609	
Meur Jeun	94.08 93.64	94.12 93.69	+0:10 +0:10	94.14		33,125 ···· 12,046	42.9 52.8
Jun Sep	93.29	93.34	+0.11			5,825	21.8
•		•.			1		
H THREE R	CONTH.	EURODOL			<del></del>		<del></del>
	Open	Sett price		- High		Est. voi	Open-
Dec	93.93	93.96	+0.05	93.93	93.93	. 6	263
Mar .		93,40	+0.07			0	- 145 389
Jun Sep		92.64	+0.12		- ,	·	177
•				1.5	200		
THREE	ECHTE I	EUROMAR	K PUTUR			nta of 1009	<u> </u>
	Open	Sett price			Low,	Est. vol	Open
Dec	94.84	94.85	+0.02	94.85	94,84	15434	1302
Mar	94.72	94,72	. +0.04	94.75		41294	1823
Jun Seo	94,37 94,00	94,40	+0.08	94.43	~ <u>.94.37</u> 98.98	29760 13981	1246 8395
Sep E THREE 1						•	
- 10002		<del></del>	<del></del>				
_	Open	Sett price			Low	Est. vot	.Open.
Dec	91.08	91.12		91.12		5751	. 9101
Mar Jun	90.42 80.83	90.42 89.86	+0.04	90.42 89.86	90.36 89.80	4108 1086	3445 1626
Seo	89.40	89.44	+0.05	89.44	89.38	519	2182
e there i						•	
	Open	Sett price			Low	Est. val	Ocen '
Dec	96.01	96.01	+0.01	96.02	95.98	1524	1803
uec Mar	95.73	. 95.71	+0.01	95.74	95.70	3624	2033
Jun	95.40	95.41	+0,03	95.43	95.39	747	5975
Sep-	95.08	95.03	+0.02	95.05	95.03	90	3059
S THEFT I	IONTH E	CU FUTUI	MES (LIFT	3 Ecurim p	points of 100	7%_	:-
	Opien	Sett price	Change	High	Low	Est, vol	Open !
Dec	94.12	94.12	+0.03	94.14	94.10	845	7947
Mar	93.77	98.80	+0.07	93.83	93.76	952	7810
الألل	93.27	93.91	+0.08	93.33	93.27	174	4095
Sep	92.77	92.81	+0.06	92.83	92.77	142	2481
LIFFE Saturne	market as	ADT					



B	ASE LENDING RAT	ES
% 	*	*
Adam & Company 5.76	Duncan Lawie 5.75	* Roduighe Guarantee
Alled Trust Bank5.75	Exeter Bank Limited 6.75	Corporation Limited is no
AIS Bank 5.75	Financial & Gen Bank 8.5	longer authorised as
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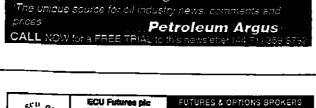




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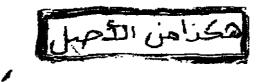
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# NYSE COMPOSITE PRICES NASDAQ NATIONAL MARKET | 1994 | YIA, P | Sis | Cana Print | 1004 | Rep | Leve Stock | Rev | % E | 100k | legh | Leve Stock | Class | 107s | 81s | 105k | 107s | 81s | 105k | 107s | 18 18 -1<sub>2</sub> 201<sub>2</sub> 201<sub>2</sub> -1<sub>4</sub> - R -15 753 144<sub>2</sub> 134<sub>2</sub> 14 2 945 3<sup>1</sup><sub>2</sub> 3<sup>1</sup><sub>2</sub> 3<sup>1</sup><sub>2</sub> 1 522 3<sup>1</sup><sub>3</sub> 2<sup>1</sup><sub>5</sub> 14 85 19<sup>1</sup><sub>4</sub> 18<sup>1</sup><sub>2</sub> 18<sup>1</sup><sub>2</sub> -<sup>1</sup><sub>2</sub> 17 1396 19<sup>1</sup><sub>4</sub> 17<sup>1</sup><sub>2</sub> 18 -<sup>1</sup><sub>4</sub> 21 45 23 23 23 1 290 3<sup>1</sup><sub>5</sub> 2<sup>1</sup><sub>4</sub> 3 -<sup>1</sup><sub>4</sub> 7 8 4 3<sup>1</sup><sub>4</sub> 3<sup>1</sup><sub>4</sub> 3<sup>1</sup><sub>4</sub> -<sup>1</sup><sub>4</sub> | Section 1. | Sec | 112\(^1 \) 67\(^1 \) korax | 3.00 \ 3.1 \ 59 \ 4505 \ 59\(^1 \) 27\(^1 \) 69 \ 40 \ Arm Corpy | 3.00 \ 3.1 \ 59 \ 4505 \ 59\(^1 \) 27\(^1 \) 4 \ 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 43 \ 43\(^1 \) 51 \ 23\(^1 \) 4 \ 71 \ 14\(^1 \) 7 \ 7 \ 14\(^1 \) 7 \ 7 \ 14\(^1 \) 7 \ 7 \ 14\(^1 \) 7 \ 7 \ 14\(^1 \) 7 \ 7 \ 14\(^1 \) 7 \ 7 \ 15\(^1 \) 20\(^1 \) 3 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13 \ 13\(^1 \) 13\(^1 \) 13 \ 13\(^1 \) 13\ Youth higher and loves for MYSS reflect the period from Jen 1 1994 where a gain or stack missioned associating is 25 percent or more his been pead, the year's high-only range and divisional are shown for the other stack, only letters universic reduct, nature of product of an insula distinctionaries these or the latent declaration. Sales figures are unrollical. ne water occurrent. Serve injurie are invested files stack distillation. a-dividend also straigh, b-trimal rate of dividend files stack distillation. c-leastheiring distillation, c-dividend in Decealate in Individual distillation or paid in proceeding 12 months, c-dividend in Decealate in Individual, c-dividend in proceeding 12 months, c-dividend files and stack the stack of the stack months of the paid in the paid the stack at latest trademit monthing, b-dividend distillation, in the paid to the stack of AMEX COMPOSITE PRICES 3 60 3½ 3½ 3½ +½ Have your FT hand delivered in France. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers who work or live in the business centres of Aix on Provence, Bordeaux, Cannes, Hand delivery solvings, Grenoble, Lyon, Marseille, Metz, Monaco, Nancy, Nice, Paris, Strasbourg, and Toulouse. Please call (1) 42 97 06 23 for more information. Financial Times. Europe's Business Newspaper.

Hourly changes

AMERICA

# bond market benefits

#### **Wall Street**

US share prices added to the week's losses yesterday morning, but did not go into the freefall that some analysts had predicted, writes Lisa Bransten

By 1 pm the Dow Jones Industrial Average was down 25.23 at 3,652.76. The more broadly based Standard & Poor's 500 fell 3.72 to 446.36. while the American Stock Exchange composite lost 4.60 at 431.54. The Nasdaq composite was down 10.26 at 730.95. Trading volume on the New

York SE came to 270m shares, The bond market was a major beneficiary of the drop in share prices as the long bond yield fell below 8 per month. It was one of the first times this year that stock and bond markets moved in opposite directions

Program trading pushed the market down by nearly 40 points by early afternoon after a volatile morning that had seen the Dow momentarily in positive territory at the opening bell. The index was down for most of the morning, however, and even news that the Clinton administration had won important support for the and Trade failed to boost

Senator Robert Dole, who had been wavering in his support for the world trade package which is viewed as beneficial to businesses, said he would back the passage of the

Some analysts believed that Tuesday's plunge in the Dow was simply the blue chip index catching up with other indices that had fallen further.

Morgan Stanley's index of cyclical stocks fell more steeply than the Dow, which may foreshadow further weakening, according to an analyst at the investment bank. Major cyclicals were mostly down Allied Signal fell \$\% at

**Ph@bolnes** 

United Technologies shed \$% at \$55%, Dow Chemical lost \$1 at \$61%, Motorola dipped \$% at \$591/2 and Hewlett Packard decreased \$% at \$95%.

Shares in interest-rate sensitive commercial banks posted increases: Citicorp up \$% at \$41%, NationsBank was up \$1 at \$44%, Chemical Banking gained \$% at \$34% and Chase \$34%. Reaction was mixed among major investment banks: JP Morgan gained \$% at \$56%, while Salomon Brothers fell \$% at \$36 and Morgan Stan-

ley dropped \$% at \$56%. HJ Heinz shares fell initially after Nestlé, the Swiss food group, announced that it was not interested in purchasing the US food company, but by early afternoon Heinz shares

were up \$% at \$36%. Pfizer shares declined \$2% at \$72% after the pharmaceutical company announced that it would buy the animal health business of SmithKline Beecham for \$1.45bn in cash. SmithKline Beecham ADSs. traded on the NYSE, dropped \$14 at \$33 on the news.

FT-ACTUARIES WORLD INDICES

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2000.95 ..210.81

88.97 184.21 367.06 317.83 133.71

162.50 159.77 213.99 153.81 155.53

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-1.1 162.06 106.44 138.67 144.46

New Zealand (

USA (515)...

Euro-Pacific (1501)

Shares in São Paulo were 2.6 per cent lower at midday as investors remained worried about the prospects for the banking sector. The Bovespa index fell 1,157 to 43,791 in turnover of R\$143.9m (\$170.1m).

The central bank had liqui dated four small financial institutions over the previous 10 days, bringing the total to seven since the implementation of a new currency on July

Some small banks faced financial problems after recent central bank measures, aimed at slowing consumption in Brazil, created a sharp liquidity

Among the blue chips. Telebras preferred dropped 3.4 per cent to R\$36.40, Vale do Rio Doce was off 23 per cent at R\$148.50 and Petrobas down 3.0 \$30%, Aluminum Company of per cent at R\$113.

 Smith Barney said yesterday that it had reduced its Latin American equity portfolio weightings in Mexico and Argentina because both markets were vulnerable to the rise in US interest rates.

The broker was raising its weighting in Brazil and Chile, since US interest rate fluctuations had less influence over equity market movements in both countries.

Toronto sank at midday as investors continued to move out of equities and into bonds. The TSE 300 index fell 43.26 to 4.014.89 in volume of 24.5m shares as sharp losses in gold, consumer products and mining issues overwhelmed slight olpelines and communications Of Toronto's 14 sub-indices, 11 groups posted losses a noon. Gold and precious metals

spiralled down 262.63 to

Euro-Nevada led tarnished gold stocks, falling C\$2% to C\$32%, while American Barrick dropped C\$1% to C\$28%. Strong sectors were led by financial services in the wake of Bank of Montreal's C\$% advance to C\$24% after its higher fourth-quarter earnings. Newbridge Networks lost C\$1% at C\$43% in spite of reporting stronger secondquarter results on Tuesday.

#### **SOUTH AFRICA** Shares in Johannesburg were

sharply lower in reaction to the worldwide falls in equities. Golds softened in spite of a firmer bullion price, largely because of losses on Nasdaq overnight.

The overall index lost 109 or 1.8 per cent at 5.799.9, the istrial index was off 117.2 at 6,866.9 and the golds index was 45.9 down at 2.046.6.

De Beers declined R3 to R92.75, Anglos shed R5.50 to R234 and Minorco fell R5 to R96.50. Among banks, Absa receded 20 cents to R10.90.

minimi Company of per cent a					Tecenter	receies 20 cents to a to 50.				
EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES										
		Dollar terms			Local currency terms					
	No. of stocks	Nov. 18 1994	% Change over week	% Change on Dec '98	Nov. 18 1994	% Change over week	% Change on Dec 'S			
rica	(207)	707.62	-3.5	+8.8						
	(24)	840.98	-5.0	-15.4	516,146.54	-5.0	-15.4			
	(57)	422.53	-3.2	+81.6	1,321,758,376	-3.3	+1,200.7			
	(25)	807.91	-0.7	+46.4	1,344.28	+0.1	+41.0			
	(11)	779.25	- <u>2.</u> 4	+20.9	1,142.99	-2.3	+23.3			
	(67)	868.93	-3.8	-13.7	1,293.84	-3.4	-4.1			
	(11)	183.80	-3.3	+52.0	245.29	-3.3	+54.2			
	(12)	458.41	-3.7	-22.8	1,782.30	-3.7	+25.4			
	(558)	264.90	+0.4	-9.0	-					
	(18)	98.72	-0.7	-33.9	106.21	-0.7	-35.3			
<b>6</b> 5	(156)	152.29	-1.6	+28.9	159.29	-1.8	+26.9			
	(19)	313.77	-1.4	-7.9	370.31	+0.3	-16.6			
ina"	(90)	144.14	-3.0	+6.6	142.38	-2.3	+6.4			
	(76)	129.68	+2.5	+11.3	144.50	+23	+12.2			
	(38)	107.42	-0.9	-13.8	126.98	-1.0	-10.8			
	(104)	288.51	+1.8	-14.9	273.20	+2.2	-18.9			
	(15)	391,50	-1.2	+0.9	544.39	-1.2	+3.1			
	(5)	193.89	-1.2	+9.4	206.81	-0.9	+8.3			
	(55)	419,27	-21	-12.2	416.35	-1.9	-13.8			
East	(125)	123.07	+0.7	-27.3						
	(25)	213.31	-1.4	-6.3	345.98	+0.3	-10.0			
	(5)	172.65	-2.4	+3.6	227.51	-1.7	+12.7			
	(13)	157.75	+2.0	-4.7	232.13	+2.6	-3.0			
	(12)	474.57	-1.8	-42.0	710.00	-0.7	-35.7			
	(25)	126.43	-1.4	+11.1	137.95	+0.5	-0.1			
	(40)	131.53	+3.0	-38.1	2.257.15	+3.1	+55.2			
4	`mi	261.52	_0.0	+20.4	210 99	-19	140 7			

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at end-week, and weekly changes are percantage movement from the previous 991; (2)Dec 31 1992; (3)Jen 6 1990; (4)Dec 31 1992; (5)Jan 3 1992; (5)Jan 4 199

As one of the best performing Asian emerging markets so far this year, South Korea has begun to attract attention from fund managers and strategists, writes John Pitt. begun to attract attention from fund managers and strategists, writes John Pitt. Baring Securities suggests that the market is undervalued by almost any standard. "It trades at a 1994 price/cash flow multiple of 7.2 times, compared with an average 14.4 times for the major Asian countries," it says. "Similarly, Korean shares are trading at a 1994 price/estnings multiple of 20.2 times, compared with an eight-year average of 25.4 times. By contrast, the 1994 average price/earnings ratio for the major Asian countries is 27.2 times. What strategists find attractive about the country over the longer term is the prospects for economic expansion when political reunification with North Korea becomes a possibility. At present, trade with China is growing quickly and, on the domestic agenda, rising industrial productivity, moderating wage growth and diminishing labour disputes all point the way toward increasing international competitiveness. Although the limit on the foreign ownership of stocks is to be raised to 12 per cent from 10 per cent next month, and to 15 per cent during 1995, analysts expect the new limits to be reached quickly.

193.05 260.52 129.86 131.22 131.87 158.42 158.93 185.73 148.77 184.19

143.12 150.64 211.64 105.26 123.11

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#### **EUROPE**

# Dow adds to losses as Bourses steady after painful morning

Open 10.30 11.00 12.00 13.00 14.00 15.00 Class

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FT-SE Berokack 100 1311.15 1312.08 1313.30 1313.60 1312.18 1311.55 1312.98 1313.33 FT-SE Berokack 200 1370.07 1370.74 1371.79 1368.24 1367.75 1367.50 1370.71 1370.41

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Bourses, trailing US equities, had a painful morning after Tuesday's Wall Street plunge; but, in the afternoon, they seemed in no hurry to follow the Dow's extended decline. writes Our Markets Staff.

Morgan Stanley's European strategist, Mr Richard Davidson followed the lead from his US colleagues and cut the weighting of equities in his European mixed asset portfolio from 58 to 50 per cent. He moved the money into bonds, reckoning that equities will underperform over the next two quarters; yet he emphasised his house's longer term view that stock prices should outperform over the course of

FRANKFURT dropped 2 per cent on the session, the Dax index losing 41.46 at 2.033.31; however, it had recovered to 2,040.05 by the end of Ibis trading for a 24-hour drop of L6 per cent. Dealers said investors were

seeking refuge in relatively high bond yields. Turnover in German equities, reflecting the switch, moved up from DM5.5bn to DM7.5bn. Individual stocks still managed to respond to events. Deutsche Bank, a major shareholder in, and creditor to Metallgesellschaft, dropped

DM21.80 or nearly 3 per cent to

DM722.70 on the session after

the troubled trader unveiled

capital reduction, and new share issue plans. Deutsche recovered to DM727.50 after equity capital.

BASF and Bayer were re tively strong ahead of the chemicals results season, down Nestlé eased SFr9 to SFr1,196, its 10-month figures just DM1.20 to DM304 and proving in line with expecta-DM1.10 to DM335.40 respections, although forecasts for tively. BMW led carmakers down with a drop of DM26 to DM749 after a fall in October low of SF11,181. registrations. ZURICH was still preoccu-

pied with developments at UBS, although the SMI index fell 25.7 to 2.546.1, with the akness of the dollar adding illegal market-sharing agree to its more general concerns. UBS bearers shed SFr34 or 2.9 per cent to SFr1,125 after a low of SF1,115, with the bank again said to be a large seller. The registered gave up SFr16 to SF1252, further reducing to 12.0 per cent their premium over the bearers. The premium, which stood at 34.4 per cent when battle lines were

drawn with Mr Martin Ebner's

FT-SE Actuaries Share Indices

1331.93

had shrunk to 15.6 per cent by Tuesday, when shareholders voted to support the board's proposal for a single class of

THE ELIROPEAN SERIES

1350.69 1358.69

volume growth during 1995 helped the shares up from a Holderbank gave up a fur-ther SFr15 to SFr1,015, still awaiting the outcome of the European Commission's fiveyear investigation into alleged

ments between some of Europe's biggest cement com-PARIS managed to recover some of its early losses, helped by some institutional shortcovering on the last day of the account. The CAC-40 index shed 18.32 or 1 per cent to 1,893.09, after a session's low of 1.872. Turnover was FFr4bn.

Société Générale went

had its rating reduced yesterby Merrill Lynch, which said that the stock was now fully valued after a strong performance over the last three months. According to Merrill, the stock had outperformed the market by 12 per cent in that period.

Alcatel Aisthom was another stock to rise, by FFr4.60 to FFr419.60, as some bargain hunters emerged. The shares hit a year's low of FFr411 earlier in the week as the head of a subsidiary was detained over allegations that France Tele com had been overcharged for

MILAN's Comit index fell 11.63 or 1.8 per cent to 623.64 as investors worried that the anticorruption magistrates' investigation of Mr Silvio Berlusconi, the prime minister, risked the parliamentary passage of the budget, and threatened its deficit-cutting measures.

Mr James Cornish at Nat-West Securities said, however, that political developments were unlikely to halt the country's economic recovery. The market was not yet cheap enough to be an irresistible buy, and the likelihood of further political upsets meant it was likely to become cheaper in the weeks ahead. Mr Cornish viewed further weakness as an opportunity for selec-

AMSTEEDAM dragged itself back from an ARX index session low of 399.46, closing 4.40 down at 402.00.

Akzo Nobel fell F14.00 to Pl 193.50; it said it planned an investment of SKr575m in two

Swedish factories. In the finance sector, ING slipped 40 cents to Fl 78.20. There were domestic media reports that the group intended to shed approximately 1,500 employees, which could result in savings of some F1 735m. ING is expected to show an improvement in its third-quar-

ter earnings today. Fokker announced job cuts of 160 at its special products division, due to falling sales, and the shares dropped 2.7 per cent to F1 14.50.

MADRID, once again, registered a lower than average decline, the general index clawing back around half of its early loss to end 2.65 or 0.9 per cent off at 299.72 in turnover of nearly Pta27bn.

Pryca climbed back from an early decline of nearly 4 per cent to finish Ptass or 25 per cent down at Pta2,130. Mr Christopher Cooper at James Capel said there had been stories in the Spanish press about limitation of opening hours for supermarket groups.

Written and edited by William

# Region tumbles in response to US worries

Wall Street's over took a hefty toll of lacking the influence which was closed for se Thanksgiving holiday. HONG KONG tumbled a fur-

ther 4.2 per cent in reaction to US worries, the Hang Seng index finishing 372.40 down at 8.576.03 after plunging to the day's low of 8,379.88 in the opening minutes of trade. Among the index heavy-

weights, HSBC fell HK\$2.75 or 3.1 per cent to HK\$85.50 and derson Land shed HK\$2.30 or 5 per cent to HK\$43.50. Analysts noted that an auction of two plots of government land, which produced results

close to those predicted, failed to give the market significant visional HK\$5.9bn, compared with HK\$4.8bm on Tuesday.

The H-share index of Chinese stocks listed in Hong Kong fell 19.48 or 1.6 per cent to 1,186.75. SHANGHAI'S B share index was down 4.3 per cent by the close, led by a newcomer, Shanghai Lujiazui Finance and Trade Zone Development, and in line with the sharp fall in Hong Kong. The index lost 3.04

21.1m shares. Shanghai Lujiazui, which made a strong debut on Tuesseas selling and weakened \$0.072 or 8.8 per cent to \$0.750 in volume of 17.3m shares. BANGKOK's SET index bit a low of 1,303 before finishing 69.96 or 5 per cent off at 1.332.85 in turnover of Bt13.7bn. The biggest falls were in banking, down 5.5 per cent in Bt3.9bn of turnover,

exchanged. The mild recovery in the afternoon appeared to be encouraged by foreign investors picking up cheap stocks in energy and petrochemicals, among other sectors.

and finance, 6.8 per cent lower

with shares worth Bt2.7bn

JAKARTA retreated 3.3 per cent as selective bargain hunt ing failed to halt a broad sell-off, and the official index dropped 16.66 to 482.01.

141\_88

141.88 138.52 186.19 132.60 135.04 148.99 123.50 205.74 136.45 138.78

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238.49 155.55
176.36 117.31
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354.59 233.22
192.38 128.53
145.60 95.90
486.95 220.28
1861.94 1224.86
201.00 152.20
49.38 46.03
185.67 122.12
368.70 242.50
319.01 269.82
134.33 83.35
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165.48 108.83 101.65 105.32 217.13 142.81 154.63 107.70 157.48 102.58 173.78 114.28 144.03 94.73 159.13 104.65 161.86 106.46

night fall	Among the losers were	1,0
f a region	Indosat and Gajah Tunggal,	of
e of Tokyo,	which fell almost 4 per cent to	an
r the Japa-	Rp7.825 and 6 per cent to	ira

Rp3,100 respectively. SINGAPORE picked up from its lows as some bargain hunting appeared among the blue chips, but the Straits Times Industrial index still finished 52.24 or 2.3 per cent down at

OCBC foreign dipped 90 cents to S\$14.60. Cycle and Carriage also 90 cents to \$\$12.60 and Jurong Engineering S\$1.05 to \$\$\$,45. KUALA LUMPUR followed a-

similar course, improving from early lows with the emergence of bargain hunters. The composite index ended 24.38 off at

990.09. Volume increased to estimated 170.9m shares om Tuesday's 105.4m. SEOUL saw institutional selling of blue chips for the fifth straight day and the composite index slipped 10.73 to 1,095.97. Brokers said tight liquidity also hurt the market as hanks

reserve requirements from the central bank. Samsung Electronics went limit down by Won8,000 to Won119,500, while Korea Telecom lost Won12,000 to close limit down at Won559.000. SYDNEY was well off its lows after bargain hunters

gave shares a late lift. The All

Ordinaries index ended 20.6 or

were squeezed to meet their

than its intraday low of 1,814.5 the lowest level for the All Ordinaries since July 28, 1993. Dealers said the market was banking on a recovery on Wall Street. Banks were the target of bargain hunters after ANZ reported a stronger than expected final profit. ANZ gained a net 7 cents at A\$3.74 after an

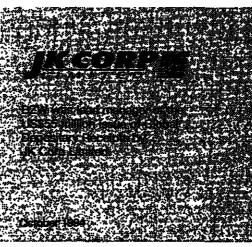
but this was 2.3 per cent better

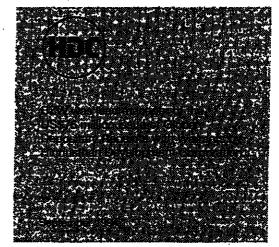
early fall of 12 cents. Base metal issues also made a spectacular recovery, with the diversified mining groups CRA and Western Mining turning round early falls to close modestly ahead. However. golds were the weakest stocks on the day in spite of a higher gold price in New York.

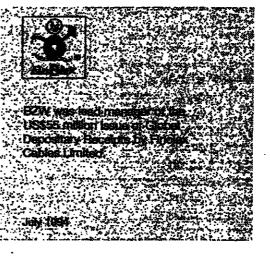
TAIPEI combined textile industry fundamentals, the ruling party's 100th anniversary today and speculation that the government might support equities to achieve a good recovery. The weighted index, which hit a low of 6,241.66 at one stage, closed 26.21 up at 6,371.48. Turnover expanded from T\$30.89bn to T\$39.4bm. The textiles sector index ended 3 per cent stronger on renewed expectations of an

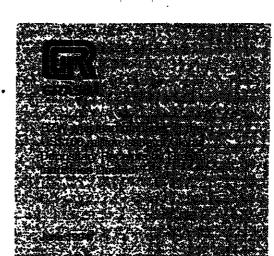
industry recovery. Huslon, the most active stock in the sector, put on T\$1.40 at T\$22.70, followed by Shinkong Synthetic Fibres, which jumped by the daily 7 per cent limit to T\$32.20, and Far Eastern Textile. T\$1.70 ahead at T\$39.90

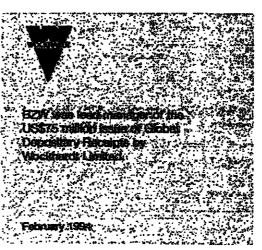
# Leadership in Indian Financing

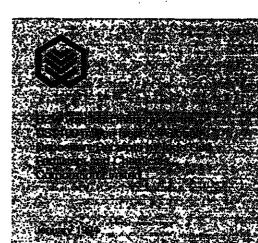


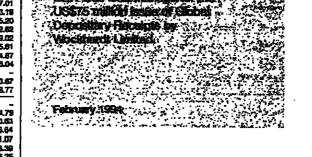












INVESTMENT BANKING.



